

ORIGINAL

SWIDLER BERLIN SHEREFF FRIEDMAN LLP

3000 K STREET, NW, SUITE 400
WASHINGTON, DC 20007-5116

TELEPHONE (202) 424-7500
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OFFICE OF THE
EXECUTIVE SECRETARY

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022

December 28, 1998

VIA OVERNIGHT DELIVERY

RECEIVED
ADMINISTRATIVE

K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

DEC 29 1998

98-00900
TN REGULATORY AUTHORITY

Re: Application of KMC Telecom II, Inc. for a Certificate of Convenience and
Necessity to Provide Facilities-Based and Resold Local Exchange and Resold
Interexchange Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

KMC Telecom II, Inc. ("KMC II"), by its undersigned counsel, hereby files an original and thirteen (13) copies of its Application for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and resold interexchange telecommunications services throughout the State of Tennessee. Also enclosed is a check in the amount of \$25.00 for the payment of the requisite filing fee.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided herein. Should you have any questions concerning this filing, please do not hesitate to contact Kevin Minsky at (202) 945-6920.

Respectfully submitted,

Kevin Minsky

Eric J. Branfman
Kevin D. Minsky

Counsel for KMC Telecom II, Inc.

Enclosures

cc: Michael Duke
Elena Jacobwitz

777-116002
#103949 281.03
25.00
12/30/98

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7300
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WWW.SWIDLAW.COM

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998

January 22, 1999

VIA FACSIMILE AND OVERNIGHT DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

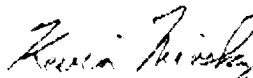
Re: **Docket No. 98-00900: Application of KMC Telecom II, Inc. for a Certificate of Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Resold Interexchange Telecommunications Services Throughout the State of Tennessee**

Dear Mr. Waddell:

KMC Telecom II, Inc. ("KMC II"), by its undersigned counsel, hereby respectfully requests the withdrawal of its Application for a Certificate of Convenience and Necessity to provide facilities-based and resold local exchange and resold interexchange telecommunications services throughout the State of Tennessee ("Application") filed on December 29, 1998, in the above-referenced docket. KMC II intends to refile the Application under a different corporate entity at a later date. At this time, KMC II respectfully requests that its Application be withdrawn "without prejudice" and that the above-referenced docket be closed.

Please date-stamp and return to the undersigned the extra copy of this filing in the prepared envelope provided herein. Should you have any questions regarding this matter, please do not hesitate to contact Kevin Minsky at (202) 945-6920.

Very truly yours,



Eric J. Brantman
Kevin D. Minsky

Counsel for KMC Telecom II, Inc.

Enclosures

cc: Michael Duke
Elena Jacobwitz

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
(202) 424-7500 (telephone)
(202) 424-7647 (facsimile - 2nd Floor)
(202) 424-7643 (facsimile - 3rd Floor)
(202) 424-7645 (facsimile - 4th Floor)

RECEIVED

JAN 22 1999

FACSIMILE TRANSMITTAL

January 22, 1999

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISIONPLEASE DELIVER TO:

<u>Name</u>	<u>Firm/Company</u>	<u>Telephone No.</u>	<u>Fax No.</u>
David Waddell	Tennessee Regulatory Authority	615-741-2904 x132	615-741-2336

From: Kevin D. Minsky **Telephone No.:** 202-945-6920

Account #: 4534.22 **Sender's Fax No.:** 202-424-7645

Total # of Pages: 2 (including cover page)

Message:

A copy of KMC Telecom II, Inc.'s letter requesting the withdrawal of its application in Docket No. 98-00900 follows. If you have any questions regarding this matter, please contact me.

If there is a problem with this transmission, please contact: Rafael Lopez at 202-945-6955.

THE INFORMATION CONTAINED IN THIS COMMUNICATION IS CONFIDENTIAL, MAY BE ATTORNEY-CLIENT PRIVILEGED, MAY CONSTITUTE INSIDE INFORMATION, AND IS INTENDED ONLY FOR THE USE OF THE ADDRESSEE. UNAUTHORIZED USE, DISCLOSURE, OR COPYING IS STRICTLY PROHIBITED AND MAY BE UNLAWFUL. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE IMMEDIATELY NOTIFY US AT THE NUMBER LISTED DIRECTLY ABOVE. THANK YOU.

ORIGINAL

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 1000
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7645

REC'D TN
DEC 29 PM 1 55
OFFICE OF THE
EXECUTIVE SECRETARY

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022

December 28, 1998

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

98-00900

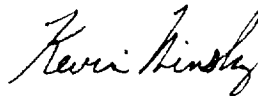
Re: Application of KMC Telecom II, Inc. for a Certificate of Convenience and
Necessity to Provide Facilities-Based and Resold Local Exchange and Resold
Interexchange Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

KMC Telecom II, Inc. ("KMC II"), by its undersigned counsel, hereby files an original and thirteen (13) copies of its Application for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and resold interexchange telecommunications services throughout the State of Tennessee. Also enclosed is a check in the amount of \$25.00 for the payment of the requisite filing fee.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided herein. Should you have any questions concerning this filing, please do not hesitate to contact Kevin Minsky at (202) 945-6920.

Respectfully submitted,



Eric J. Branfman
Kevin D. Minsky

Counsel for KMC Telecom II, Inc.

Enclosures

cc: Michael Duke
Elena Jacobwitz

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of the Application of)
)
KMC Telecom II, Inc.)
)
for a Certificate of Convenience and)
Necessity to Provide Facilities-Based)
and Resold Local Exchange and Resold)
Interexchange Telecommunications)
Services Throughout the State of Tennessee)

Docket No.

98-0900

APPLICATION

I. INTRODUCTION

Pursuant to the provisions of T.C.A. §§ 65-4-201, Administrative Rules Chapter 1220-4-8, and the Federal Telecommunications Act of 1996 ("Federal Act" or "Act"), 47 U.S.C. § 251 *et seq.*, KMC Telecom II, Inc. ("KMC II" or "Applicant") hereby files this application for a Certificate of Convenience and Necessity to provide facilities-based and resold, local exchange and resold interexchange telecommunications services throughout the state of Tennessee.

Consistent with the objectives of the Federal Act, the Tennessee Regulatory Authority ("Authority") has adopted a policy favoring competition in all telecommunications markets, recognizing that it is in the public interest to develop effective competition to ensure that all consumers, residential and business, will have access to high quality, low-cost, and innovative telecommunications services, regardless of the chosen service provider. In support of its application, KMC II provides the following information:

II. DESCRIPTION OF THE APPLICANT

1. Applicant's legal name is KMC Telecom II, Inc. Applicant maintains its principal place of business at:

1545 Route 206, Suite 300
New Jersey 07921-2567
Bedminster, New Jersey 07921-2567
(908) 470 1545 (Tel.)
(908) 719-8775 (Fax)

2. All correspondence, notices, inquiries or other communications pertaining to this application should be addressed to:

Eric J. Branfman, Esq.
Kevin D. Minsky, Esq.
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7500 (Tel.)
(202) 424-7645 (Fax)

3. Questions concerning the ongoing operations of KMC II following certification should be directed to:

Tricia Breckenridge
Senior Vice President, Business Development
KMC Telecom II, Inc.
3025 Breckinridge Boulevard
Suite 170
Duluth, Georgia 30096
(770) 935-1230 (Tel.)
(770) 638-6796 (Fax)

4. KMC II's principal officers are:

Harold N. Kamine	Chairman of the Board
Gary E. Lasher	Vice Chairman of the Board
Michael A. Sternberg	President and CEO
Cynthia Worthman	CFO, Vice President, Treasurer, and Secretary
Roscoe C. Young II	Chief Operating Officer
Charles Rosenblum	Senior Vice President, Human Resources
James L. Barwick	Senior Vice President
Tricia Breckenridge	Senior Vice President, Business Development
Steve Kreider	Assistant Treasurer
Jeannette Barretta	Assistant Secretary

The business address for Mr. Kamine, Mr. Sternberg, Ms. Worthman, Mr. Young II, Mr. Rosenblum, Ms. Barretta, and Mr. Kreider is:

1545 Route 206, Suite 300
Bedminster, New Jersey 07921-2567

The business address for Mr. Lasher is:

312 Waterloo Road
Devon, PA 19333

The business address for Ms. Breckenridge and Mr. Barwick is:

KMC Telecom II, Inc.
3025 Breckinridge Boulevard
Suite 170
Duluth, Georgia 30096

5. While KMC II does not have corporate offices in Tennessee at this time, KMC II may open offices in Tennessee in the future.

6. KMC II will maintain the following toll-free customer service telephone number:

1-888-KMC-THE1

7. The Applicant is a Delaware corporation and a direct, wholly-owned subsidiary of KMC Telecom Holdings, Inc. ("KMC Holdings"), a Delaware corporation. KMC Holdings is the

parent holding company of two separate wholly-owned subsidiaries including KMC II and KMC Telecom Inc., and one indirectly-owned subsidiary, KMC Telecom of Virginia, Inc. A copy of KMC II's Articles of Incorporation and Certificate of Authority to Transact Business in Tennessee are attached hereto as Exhibits 1 and 2, respectively.

8. KMC II is financially qualified to provide facilities-based and resold local exchange and resold interexchange telecommunications services in Tennessee. During an initial transition period, KMC II will rely upon the sizable financial assets of its ultimate parent company, KMC Holdings, to ensure that it has sufficient capital to maintain its operations. As KMC II's revenues increase through the acquisition of new customers, KMC II's revenues will supplant KMC Holdings' assistance. In demonstration of its financial qualifications to provide the proposed services, KMC II has attached hereto as Exhibit 3 a copy of KMC Telecom Holdings most recent financial statements. In further support of KMC II's financial qualifications to operate as a telecommunications carrier in Tennessee, KMC II has attached hereto, as Exhibit 4, a Guaranty executed by KMC Holdings guaranteeing the financial obligations of KMC II in connection with its provision of regulated communications services in the State of Tennessee.

9. KMC II is managerially qualified to provide facilities-based and resold local exchange and resold interexchange telecommunications services in Tennessee. KMC II has acquired extensive experience in providing a variety of telecommunications services to customers, and has developed a management team with excellent credentials and experience in the telecommunications industry. A summary of the managerial experience of KMC II's key personnel is attached hereto as Exhibit 5.

10. KMC II is technically qualified to provide facilities-based and resold local exchange and resold interexchange telecommunications services in Tennessee. The Applicant has an excellent Network operations team, all of whom have extensive experience in developing and operating state-of-the-art telecommunications infrastructures. KMC II is successfully providing a wide range of telecommunications services in numerous states. KMC II, or its various affiliates, is authorized by virtue of certification, registration, or on an unregulated basis to provide telecommunications services in numerous states which include: Alabama, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, New Hampshire, North Carolina, South Carolina, Texas, Virginia, and Wisconsin. KMC II has not been denied authority to provide any telecommunications service in any state.

11. Applicant is familiar with and will adhere to all applicable Authority rules, policies and orders governing the provision of local exchange and interexchange telecommunications services. Applicant has attached hereto a copy of its Small and Minority Owned Telecommunications Business Participation Plan as Exhibit 6.

III. PROPOSED SERVICES

12. KMC II proposes to provide residential and business local exchange and interexchange services throughout entire state of Tennessee and, therefore, seeks statewide authority. Initially, the geographic area to be served by the Applicant is identical to the entire area of the existing BellSouth Telecommunications, Inc., and the exchange area of any other local exchange carrier ("LEC") that is not now, or ceases to be, subject to competitive protection as a small or rural LEC pursuant to 48 U.S.C. § 251(f). However, Applicant seeks statewide authority so that it may expand into other service areas as market conditions warrant.

13. KMC II will offer all forms of switched and dedicated telecommunications services on a resold and facilities-basis, including: (1) local exchange access services to single-line and multi-line residence and business customers at various points in the service territory; (2) local exchange usage services to residence and business customers of Applicant's end-user access services; (3) switched access services to other common carriers; and (4) network (*i.e.*, point-to-point, special access and other dedicated) services. The Applicant also intends to provide operator assisted services, directory assistance, toll-free calling, dual party relay services, and access to 911 emergency services.

14. KMC II will also offer resold interexchange services throughout the state of Tennessee, including both inbound and outbound intraLATA and interLATA services. KMC II has (1) received, read, and understands the Authority's Interexchange Reseller Rules and Regulations; (2) understands the penalties for non-compliance, and all associated fees to provide such service; (3) will comply with the Authority's Interexchange Reseller Rules and all other applicable Authority Rules and state laws, including T.C.A. Section 65-5-206; and (4) and has attached hereto as Exhibit 7 a signed Rule Compliance Agreement.

15. Applicant has attached hereto as Exhibit 8 its local exchange service and interexchange service tariffs. These tariffs are illustrative, and KMC II will file its initial local exchange service and interexchange service tariffs, with actual rates, once its completes interconnection negotiations with BellSouth and prior to commencing service.

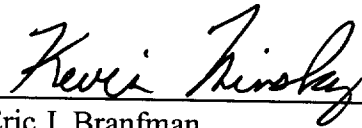
16. KMC II will bill its customers directly, using industry-accepted methods of billing and collection. Attached hereto as Exhibit 9 is a copy of KMC II's sample customer bill.

IV. CONCLUSION

The telecommunications industry is growing and changing at an impressive pace. The entry of KMC II into the local exchange and interexchange markets will enhance competition in the provision of telecommunications services within the State of Tennessee as prescribed by the Tennessee legislature in Chapter 408 of the Public Acts of 1995 and by the Federal Telecommunications Act of 1996. KMC II will bring significant benefits to telecommunications users in the State of Tennessee. Applicant's expertise in the telecommunications sector will permit it to select the most economic and efficient services, thereby providing subscribers with a better combination of price, quality, and subscriber service than other carriers. Accordingly, Applicant anticipates its proposed service will provide subscribers with better quality services and will increase consumer choice of innovative, diversified, and reliable service offerings.

Wherefore, KMC II Telecom, Inc. requests that the Tennessee Regulatory Authority approve its application for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and resold interexchange telecommunications services throughout the entire State of Tennessee.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kevin D. Minsky", is written over a horizontal line.

Eric J. Branfman

Kevin D. Minsky

Swidler Berlin Shereff Friedman, LLP

3000 K Street, N.W., Suite 300

Washington, D.C. 20007-5116

(202) 424-7500 (Tel.)

(202) 424-7645 (Fax)

Counsel for KMC Telecom II, Inc.

Dated: December 28, 1998

Exhibits

Exhibit 1	Articles of Incorporation
Exhibit 2	Certificate of Authority to Transact Business in Tennessee
Exhibit 3	Financial Qualifications
Exhibit 4	Guaranty
Exhibit 5	Managerial Qualifications
Exhibit 6	Small and Minority Owned Telecommunications Business Participation Plan
Exhibit 7	Rule Compliance Agreement
Exhibit 8	Illustrative Local Exchange Service Tariff and Interexchange Service Tariff
Exhibit 9	Sample Customer Bill
Verification	

Exhibit 1

Articles of Incorporation

State of Delaware
Office of the Secretary of State PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "KMC TELECOM II, INC.", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF SEPTEMBER, A.D. 1997, AT 11 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS FOR RECORDING.



Edward J. Freel, Secretary of State

2794643 8100

971306397

AUTHENTICATION: 8651011

DATE: 09-15-97

CERTIFICATE OF INCORPORATION**OF****KMC Telecom II, Inc.**

FIRST: The name of the corporation is KMC Telecom II, Inc. (the "Corporation").

SECOND: It's Registered Office in the State of Delaware is to be located at 9 East Loockerman Street, in the City of Dover, County of Kent, 19901. The Registered Agent in charge thereof is National Registered Agents, Inc.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) shares of Common Stock, par value \$.01 per share.

FIFTH: The name and mailing address of the sole incorporator of the Corporation are as follows:

David P. Dutil
Kelley Drye & Warren LLP
101 Park Avenue
New York, New York 10178

SIXTH: The following provisions are inserted for purposes of the management of the business and conduct of the affairs of the Corporation and for creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(a) The number of directors of the Corporation shall be fixed and may be altered from time to time in the manner provided in the Bylaws, and vacancies in the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors may be filled, and directors may be removed, as provided in the Bylaws.

(b) The election of directors may be conducted in any manner approved by the stockholders at the time when the election is held and need not be by ballot.

(c) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Certificate of Incorporation or by the Bylaws) shall be vested in and exercised by the Board of Directors.

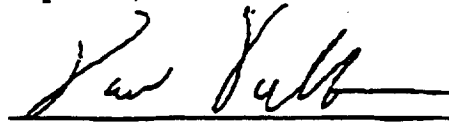
(d) The Board of Directors shall have the power without the assent or vote of the stockholders to adopt, amend, alter or repeal the Bylaws of the Corporation, except to the extent that the Bylaws or this Certification of Incorporation otherwise provide.

SEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or directors are granted subject to this reservation.

EIGHTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes of the State of Delaware) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation in accordance with the Bylaws of the Corporation.

IN WITNESS WHEREOF, I do execute this Certificate and affirm and acknowledge, under penalties of perjury, that this Certificate is my act and deed and that the facts stated herein are true, this 15th day of September, 1997.



David P. Dutil, Sole Incorporator

Exhibit 2

Certificate of Authority to Transact Business in Tennessee

APPLICATION FOR CERTIFICATE OF AUTHORITY FOR

KMC Telecom II, Inc.

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is KMC Telecom II, Inc.

If different, the name under which the certificate of authority is to be obtained is _____

[NOTE: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. If obtaining a certificate of authority under an assumed corporate name, an application must be filed pursuant to Section 48-14-101(d).]

2. The state or country under whose law it is incorporated is Delaware

3. The date of its incorporation is September 15, 1997 (must be month, day, and year), and the period of duration, if other than perpetual, is _____

4. The complete street address (including zip code) of its principal office is _____

1545 Route 206, Suite 300, Bedminster, New Jersey 07921

Street	City	State/Country	Zip Code
<u>c/o C T Corporation System, 530 Gay Street, Knoxville, Tennessee, County of Knox</u>	<u>37902</u>		

5. The complete street address (including the county and the zip code) of its registered office in this state is _____

Street	City/State	County	Zip Code
<u>The name of its registered agent at that office is</u>			

C T Corporation System

The name of its registered agent at that office is _____

C T Corporation System

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)

See attached list of officers

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)

See attached list of directors

8. The corporation is a corporation for profit.

9. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is

N/A, 19 _____ (date), _____ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly

3:5 1:3 1:3 1:7

Appendix to Tennessee
Application for Certificate of Authority

**Officers of
KMC Telecom II, Inc.**

1. Harold N. Kamine, Chairman of the Board
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
2. Gary E. Lasher, Vice Chairman of the Board
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
3. Michael A. Sternberg, CEO and President
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
4. Cynthia Worthman, CFO, Vice President, Treasurer & Secretary
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
5. Roscoe C. Young II, Chief Operating Officer
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
6. Charles Rosenblum, Senior Vice President-Human Resources
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
7. Tricia Breckenridgelvd, Senior Vice President-Market Development
3075 Breckinridge Blvd., Suite 170
Duluth, Georgia 30096
8. James L. Barwick, Senior Vice President
3075 Breckinridge Blvd.
Duluth, Georgia 30096
9. Steven Kreider, Assistant Treasurer
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
10. Jeannette Barretta, Assistant Secretary
1545 Route 206, Suite 300
Bedminster, New Jersey 07921

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JUL 20 1997
SECRETARY OF STATE

Appendix to Tennessee
Application for Certificate of Authority

**Directors of
KMC Telecom II, Inc.**

1. Harold N. Kamine
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
2. Gary E. Lasher
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
3. Michael A. Sternberg
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
4. John G. Quigley
22 Chambers Street
Princeton, New Jersey 08542
5. William H. Stewart
22 Chambers Street
Princeton, New Jersey 08542
6. Randall A. Hack
22 Chambers Street
Princeton, New Jersey 08542
7. Richard H. Patterson
30 Rockefeller Center, Suite 4350
New York, New York 10112

RECEIVED
TENNESSEE
COMMISSION OF STATE
JAN 11 1985
12:36 PM

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "KMC TELECOM II, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTEENTH DAY OF OCTOBER, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

RECEIVED

09 OCT 20 PM 12:36

SECRETARY OF STATE



Edward J. Freel
Edward J. Freel, Secretary of State

2794643 8300

981400835

AUTHENTICATION: 9358961

DATE: 10-16-98

Exhibit 3

Financial Qualifications

KMC Telecom Holdings, Inc.

Unaudited Condensed Consolidated Balance Sheets (in thousands)

	December 31, 1997	October 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,553	\$ 27,588
Accounts receivable, net of allowance for doubtful accounts	1,318	5,945
Prepaid expenses and other current assets	489	3,444
Total current assets	17,360	36,977
Investments held for future capital expenditures	-	79,000
Networks and equipment, net	71,371	175,357
Intangible assets, net	2,655	3,005
Deferred financing costs, net	4,196	15,054
Other assets	361	1,388
	<u>\$ 95,943</u>	<u>\$ 310,781</u>
Liabilities and redeemable and nonredeemable equity		
Current liabilities:		
Accounts payable	\$ 5,513	\$ 11,281
Accrued expenses	8,128	8,276
Deferred revenues	-	1,466
Due to affiliates	47	-
Total current liabilities	13,688	21,023
Notes payable	51,277	40,476
Subordinated notes payable	10,000	-
Senior discount notes payable	-	263,510
Total liabilities	74,965	325,009
Redeemable equity:		
Redeemable cumulative convertible preferred stock, par value \$.01 per share		
498,800 shares authorized; shares issued and outstanding:		
Series A, 123,800 shares in 1997 and 1998	18,879	28,749
Series C, 150,000 shares in 1997 and 175,000 shares in 1998	14,667	20,908
Series D, 25,000 shares in 1997 and 0 shares in 1998	2,379	-
Redeemable common stock, shares issued and outstanding: 132,773 in 1997		
and 224,041 in 1998	11,187	22,071
Redeemable common stock warrants	539	652
Total redeemable equity	47,651	72,380
Nonredeemable equity (deficiency):		
Common stock, par value \$.01 per share; 3,000,000 shares authorized,		
613,835 shares issued and outstanding	6	6
Additional paid-in capital	15,374	16,380
Unearned compensation	(6,521)	(6,212)
Accumulated deficit	(35,532)	(96,782)
Total nonredeemable equity (deficiency)	(26,673)	(86,608)
	<u>\$ 95,943</u>	<u>\$ 310,781</u>

KMC Telecom Holdings, Inc.

Unaudited Condensed Consolidated Statements of Operations (in thousands)

	Month Ended October 31, 1998	YTD Period Ended October 31, 1998
Revenue.....	\$2,678	\$16,265
Network operating costs-direct.....	1,994	12,819
Contribution margin:.....	684	3,446
Network operating costs-indirect.....	1,239	10,699
Gross margin:.....	(555)	(7,253)
City sales and marketing expense.....	480	3,791
City general and administrative expense.....	808	5,100
City EBITDA.....	(1,843)	(16,144)
Corporate sales and marketing expense.....	837	4,714
Corporate general and administrative expense.....	1,243	9,356
EBITDA before stock option compensation expense...	(3,923)	(30,214)
Stock option compensation expense.....	99	6,693
EBITDA.....	(4,022)	(36,907)
Interest expense, net.....	2,182	17,802
Depreciation and amortization.....	1,340	6,541
Net loss.....	\$(7,544)	\$(61,250)

KMC Telecom Holdings, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows (in thousands)

	Month Ended October 31, 1998	YTD Period Ended October 31, 1998
Operating Activities		
Net loss	\$(7,544)	\$(61,250)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,343	6,541
Non-cash interest expense	2,974	25,748
Non-cash stock option compensation expense	99	6,692
Changes in assets and liabilities:		
Accounts receivable	(686)	(4,627)
Prepaid expenses and other current assets	(50)	(404)
Other assets	(443)	(1,027)
Accounts payable	8,265	5,615
Accrued expenses	(1,325)	2,246
Due to affiliates	-	(47)
Net cash used in operating activities	2,633	(20,513)
Investing Activities		
Construction of networks and purchases of equipment	(19,126)	(110,064)
Acquisitions of franchises, authorizations and related assets	287	(813)
Deposit on purchase of equipment	504	(2,551)
Purchases of investments, net	11,000	(79,000)
Net cash used in investing activities	(7,355)	(192,428)
Financing Activities		
Proceeds from notes payable	-	-
Repayment of notes payable	-	(20,801)
Proceeds from issuance of common stock	-	10,000
Proceeds from issuance of senior discount notes and warrants, net of issuance costs of \$13.6 million	-	236,369
Dividends on preferred stock of subsidiary	-	(592)
Net cash provided by financing activities	-	224,976
Net increase in cash and cash equivalents	(4,702)	12,035
Cash and cash equivalents, beginning of period	32,290	15,553
Cash and cash equivalents, end of period	\$27,588	\$27,588

KMC TELECOM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE EQUITY
FOR THE NINE PERIODS ENDED OCTOBER 31, 1998
(000's)
(In thousands)

	Redeemable Equity										Total Redeemable Equity
	Preferred Stock Series C					Common Stock					
	Series A Shares	Amount	Shares	Amount	Series D Shares	Amount	Shares	Amount	Warrants		
Conversion of convertible notes payable to Series A Preferred Stock	123,800	\$ 11,519	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 11,519
Issuance of warrants	-	-	-	-	-	-	-	-	2,025	-	2,025
Issuance of common stock and exercise of warrants	-	-	-	-	-	-	-	10,863	(1,500)	-	9,363
Issuance of Series C Preferred Stock	-	-	150,000	14,199	-	-	-	-	-	-	14,199
Issuance of Series D Preferred Stock	-	-	-	-	25,000	2,300	-	-	-	-	2,300
Accretion on redeemable equity	-	7,360	-	468	-	79	-	323	15	-	8,245
Balance, December 31, 1997	123,800	18,879	150,000	14,667	25,000	2,379	132,773	11,187	510	-	47,451
Exercise of common stock warrants	-	-	-	-	-	-	91,268	9,500	-	-	9,500
Conversion of Noncum Preferred D to Preferred C	-	-	25,000	2,379	(25,000)	(2,379)	-	-	-	-	0
Accretion on redeemable equity	-	9,870	-	3,861	-	-	-	1,384	113	-	15,228
Balance, October 31, 1998	123,800	\$ 28,749	175,000	\$ 20,908	-	\$ -	224,041	\$ 22,071	\$ 652	\$ -	\$ 71,380

KMC TELECOM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF NONREDEEMABLE EQUITY
FOR THE NINE PERIODS ENDING OCTOBER 31, 1998

(1000's)
(unaudited)

	Nonredeemable Equity					Total Nonredeemable Equity
	Common Stock Shares	Amount	0	1	Unearned Compensation	Accumulated Deficit
Balance, December 31, 1994	100	\$	0	\$		
Initial capital contribution, KMC Southeast Corp., April 19, 1995	100		0			3,374
Reclassification of pre-construction subchapter S losses				(3,374)		(1,610)
Net loss	200		0	(1,272)		1,650
Balance, December 31, 1995						
Change in authorized capital	550,800		6	(6)		
Conversion of stockholder's loan and related imputed interest to equity				2,107		2,267
Issuance of common stock	40,000		0	4,000	(1,283)	4,000
Issuance of stock options to employees				1,283	44	44
Amortization of unearned compensation				196		196
Fair value of stock options issued to non-employees				0	0	(4,496)
Net loss	600,000		6	4,468	(1,239)	389
Balance, December 31, 1996						
Issuance of common stock	13,335		0	(8,246)		(8,246)
Accretion on redeemable equity						
Issuance and adjustment to fair value of stock options to employees				14,296	(14,296)	0
Amortization of unearned compensation					9,013	9,013
Increase in fair value of stock options issued to non-employees				4,856		4,856
Net loss	613,835		6	15,374	(6,522)	(32,686)
Balance, December 31, 1997						
Dividend on Preferred Stock of subsidiary				(592)		(592)
Amortization of unearned compensation					0	0
Issuance of warrants				10,444		10,444
Accretion on redeemable equity				(15,228)		(15,228)
Issuance and adjustment to fair value of stock options to employees				5,042	311	5,353
Increase in fair value of stock options issued to non-employees				1,341		1,341
Net loss						(61,250)
Balance, October 31, 1998	613,835	\$	6	\$	16,380	(96,782)
						\$ (86,607)

KMC Telecom Holdings, Inc.
Consolidating Financial Schedule
Balance Sheet
October 31, 1998

	KMC Telecom Holdings, Inc.	KMC Telecom Inc.	KMC Telecom Leasing ILLP	KMC Telecom Leasing ILLP	KMC Telecom II, Inc.	KMC Telecom Leasing ILLP	KMC Telecom of Virginia, Inc.	Consolidated	Consolidating Entries	KMC Telecom Holdings, Inc. Consolidation
Assets										
Current Assets										
Cash and cash equivalents	\$ 27,281	\$ 1,444	\$ (32)	\$ (849)	\$ -	\$ -	\$ (189)	\$ 27,568	\$ -	\$ 27,568
Accounts receivable, net	-	5,773	-	162	-	-	8	5,944	-	5,944
Intercompany Costs	161,230	(52,797)	(19,890)	(30,183)	(49,354)	(49,354)	(5,997)	(9)	(9)	(9)
Prepaid expenses and other current assets	350	2,917	-	180	-	-	8	3,444	-	3,444
Total current assets	188,861	(42,663)	(19,922)	(37,811)	(49,354)	(49,354)	(8,146)	36,977	(3,223)	36,977
Investment in subsidiaries	3,223	-	-	-	-	-	-	-	(3,223)	-
Cash and investments held for future capital expenditures	79,000	-	-	-	-	-	-	79,000	-	79,000
Networks and equipment, net	4,815	42,338	32,511	33,171	65,067	65,067	7,839	175,661	-	175,661
Deferred financing, net	12,648	2,406	-	-	-	-	-	15,053	-	15,053
Intangible assets, net	848	2,518	-	(163)	-	-	-	3,005	-	3,005
Other assets	697	434	-	42	-	-	-	1,063	-	1,063
	\$ 269,923	\$ 5,035	\$ 12,581	\$ (761)	\$ 5,733	\$ 5,733	\$ 1,494	\$ 314,004	\$ (3,223)	\$ 310,781
Liabilities and stockholders' equity										
Current liabilities:										
Accounts payable	\$ 302	\$ (797)	\$ 1,691	\$ 1,742	\$ 8,214	\$ 8,214	\$ 1,848	\$ 11,280	\$ -	\$ 11,280
Accrued expenses	4,523	3,263	(85)	427	-	-	48	8,278	-	8,278
Deferred revenues	-	1,352	-	105	-	-	8	1,468	-	1,468
Due to affiliates	-	-	-	-	-	-	-	-	-	-
Total current liabilities	5,005	3,818	1,607	2,274	8,214	8,214	1,905	21,023	-	21,023
Notes payable - AT&T	-	25,663	14,813	-	-	-	-	40,478	-	40,478
Senior discount notes payable	263,508	-	-	-	-	-	-	263,508	-	263,508
Total liabilities	268,514	29,481	16,420	2,274	8,214	8,214	1,905	325,009	-	323,009
Redeemable equity:										
Redeemable cumulative convertible preferred stock, par value \$.01 per share	-	-	-	-	-	-	-	-	-	-
488,800 shares authorized, shares issued and outstanding	-	-	-	-	-	-	-	-	-	-
123,800 shares of Series A	28,749	-	-	-	-	-	-	28,749	-	28,749
175,000 shares of Series C	20,908	-	-	-	-	-	-	20,908	-	20,908
25,000 shares of Series D	-	-	-	-	-	-	-	-	-	-
Redeemable common stock, 224,041 shares issued and outstanding	22,071	-	-	-	-	-	-	22,071	-	22,071
Redeemable common stock warrants	652	-	-	-	-	-	-	652	-	652
Total redeemable equity	72,390	-	-	-	-	-	-	72,379	-	72,379
Nonredeemable equity (deficiency):										
Common stock, par value \$.01 per share; 3,000,000 shares authorized	-	-	-	-	-	-	-	-	-	-
633,835 shares issued and outstanding	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	4,160	15,415	-	-	-	-	-	19,595	(3,215)	16,380
Unearned compensation	(6,712)	-	-	-	-	-	-	(6,712)	-	(6,712)
Accumulated Deficit	(48,949)	(39,848)	(4,040)	(3,035)	(481)	(481)	(413)	(86,782)	(3,223)	(86,782)
Total nonredeemable equity	(50,972)	(24,446)	(4,040)	(3,035)	(481)	(481)	(410)	(83,344)	(3,223)	(86,607)
	\$ 289,923	\$ 5,035	\$ 12,581	\$ (761)	\$ 5,733	\$ 5,733	\$ 1,494	\$ 314,004	\$ (3,223)	\$ 310,781

KMC Telecom Holdings, Inc.
Consolidating Financial Schedule
Statements of Operations
October 31, 1998

	KMC Telecom Holdings, Inc.	KMC Telecom Inc.	KMC Telecom Leasing ILLP	KMC Telecom II, Inc.	KMC Telecom Leasing ILLP	KMC Telecom of Virginia, Inc.	Consolidated October 31, 1998	Consolidating Entries	KMC Telecom Holdings, Inc. Consolidation
Revenues	\$ -	\$ 16,193,177	\$ -	\$ 71,731	\$ -	\$ 837	\$ 16,265,746		\$ 16,265,746
Operating Expenses:									
Network Operating Expenses	0	22,459,697	9,117	934,485	-	114,973	23,518,273		23,518,273
Selling, general and administrative	14,083,745	7,511,939	130	1,288,483	-	110,918	22,961,214		22,961,214
Stock option compensation	20,802,260	(14,109,346)	-	-	-	-	6,692,914		6,692,914
Depreciation and amortization	347,906	2,607,703	2,119,632	780,007	481,135	204,392	6,540,775		6,540,775
Total city operating expenses:	35,213,911	18,469,993	2,128,879	2,982,875	481,135	438,283	58,713,177		58,713,177
Loss from operations	(35,213,911)	(2,278,816)	(2,128,879)	(2,911,244)	(481,135)	(435,446)	(43,447,431)		(43,447,431)
Interest expense, net	13,732,522	2,802,200	1,238,809	-	-	-	17,803,531		17,803,531
Net loss	\$ (48,946,434)	\$ (5,107,570)	\$ (3,367,889)	\$ (2,911,244)	\$ (481,135)	\$ (435,446)	\$ (61,249,516)	\$ -	\$ (61,249,516)

(9000s)

KMC Telecom Holdings, Inc.
CONSOLIDATED NETWORKS & EQUIPMENT
October 31, 1998
(unaudited)

	Fiber Optic System	Switch	Electronics	Furniture & Equipment	Leasehold Improvements	Land & Building	Capitalized Software	Total
Cities Completed:								
Huntsville	AL1	\$ 4,973	\$ 2,443	\$ 7,433	\$ 139	\$ -	\$ -	\$ 15,213
Melbourne	FL1	2,372	2,014	4,067	173	-	-	8,637
Tallahassee	FL2	1,455	2,562	2,628	125	564	-	7,352
Savannah	GA2	2,245	1,823	3,880	137	399	-	8,569
Augusta	GA3	2,406	2,066	3,361	213	207	-	8,307
Baton Rouge	LA1	2,786	1,864	4,155	100	-	-	9,204
Shreveport	LA2	2,804	1,973	4,401	123	6	-	9,600
Greensboro	NC3	1,713	2,510	2,085	148	414	-	8,872
Winston-Salem	NC6	2,030	2,511	1,876	172	475	-	7,223
Corpus Christi	TX1	2,643	2,060	4,880	57	308	-	10,098
Roanoke	VA1	1,139	2,345	1,534	71	421	-	5,510
Madison	WI1	4,726	2,058	4,780	122	-	-	11,915
Subtotal	31,375	26,448	45,177	1,665	1,033	2,821	-	108,520
Corporate:								
Atlanta	GA6/GA8	-	-	2,710	14	-	927	3,652
Bedminster	NJ0	6	-	881	28	-	509	1,425
Subtotal	6	-	-	3,591	43	-	1,437	5,076
Cities In Progress:								
Pensacola	FL3	1,035	1,827	2,231	62	297	-	5,552
Daytona	FL4	849	2,086	2,237	7	279	-	5,459
Sarasota	FL6	801	2,022	2,178	68	367	-	5,439
Fort Meyers	FL8	640	2,035	2,178	0	326	-	5,180
Fort Wayne	IN2	854	2,095	1,437	17	404	-	4,807
Topeka	KS1	1,579	2,516	2,358	70	302	-	6,822
Ann Arbor	MI2	1,208	2,425	1,867	58	286	-	5,851
Eden Prairie	MIN1	5,165	3,864	5,185	183	479	-	14,975
Fayetteville	NC2	385	2,097	2,081	5	359	-	4,928
Longview	TX2	768	2,001	838	0	262	-	3,869
Norfolk	VA2	391	29	1,889	11	13	-	2,333
Subtotal	13,675	23,197	24,478	480	2	3,384	-	65,215
Other City Costs:								
Macon	GA1	246	-	10	0	0	-	259
Columbus	GA4	114	-	-	-	-	-	114
Springfield	IL1	1	-	-	-	-	-	1
Frederick	MD1	0	-	-	-	-	-	0
Jackson	MS1	-	-	-	-	-	-	-
Ashville	NC1	88	-	-	-	-	-	88
Hickory	NC5	39	-	-	-	-	-	39
Aiken	SC1	1	-	-	-	-	-	1
Unallocated		628	2,101	1,649	-	129	-	4,506
Subtotal	1,119	2,101	1,659	0	-	129	-	5,007
Networks & Equipment, Gross	46,175	51,745	71,314	5,736	1,078	6,333	1,437	183,816
Less: Accumulated Depreciation	(2,023)	(1,874)	(3,541)	(716)	(180)	(127)	-	(8,481)
Networks & Equipment	\$ 44,151	\$ 49,871	\$ 87,773	\$ 5,021	\$ 898	\$ 6,206	\$ 1,437	\$ 175,356

TOTAL P.09

Exhibit 4

Guaranty

KMC Telecom Holdings, Inc. hereby guarantees the financial obligations of KMC Telecom II, Inc. ("KMC II") attendant to KMC II's operations as a telecommunications carrier in the State of Tennessee. KMC Telecom Holdings, Inc. is the owner of all of the issued and outstanding common stock of KMC II, and issues this Guaranty in support of KMC II's application before the Tennessee Regulatory Authority for certification as a provider of facilities-based and resold local exchange service and resold interexchange service throughout the State of Tennessee.

KMC TELECOM HOLDINGS, INC.

By: 


Title: President

State of New Jersey)
County of Somerset)

ss.

The above-named Michael Sternberg appeared before me today and swore that (s)he is the President of KMC Telecom Holdings, Inc. and is duly authorized by it to execute the foregoing Guaranty on its behalf.

Subscribed and Sworn to me this 9th day of December 1998.


Notary Public

My Commission expires _____

JEANNETTE BARRETTA
A Notary Public of New Jersey
My Commission Expires March 18, 2002

Exhibit 5

Managerial Qualifications

A summary of the experience of Applicant's management personnel is as follows:

MICHAEL A. STERNBERG PRESIDENT AND CHIEF EXECUTIVE OFFICER

Michael Sternberg brings 28 years of senior telecommunications management experience to KMC Telecom II, Inc., including playing a major role in the expansion of Metropolitan Fiber System Inc. as senior vice president for sales and strategy development.

He co-founded and served as chief operating officer of National Telephone Company, one of the first public telephone interconnect companies, prior to becoming vice president of marketing and sales of OKI Electronics of America in 1975. He implemented the New York Teleport project as principal consultant to Western Union, then served as vice president of marketing and corporate development for CIT-Alcatel Inc., a multi-billion dollar manufacturer specializing in digital central office switching technology. In 1986, Mr. Sternberg was named president of Standard Telephones and Cables plc (Stantel), a world leader in telecommunication transmission systems. He most recently co-founded and served as chief operating officer of Rimsat Ltd., a satellite communications company lauded by *Business Week*, *The New York Times* and other publications worldwide.

ROSCOE C. YOUNG II CHIEF OPERATING OFFICER

Named chief operating officer in 1997, Roscoe Young brings 20 years of business experience to his direction of KMC Telecom II, Inc.'s day-to-day operations, including fiber optic telecommunications services in eight cities, overseeing development of new markets, and technical and engineering support.

Mr. Young most recently was vice president of network services for Ameritech, where he led more than 4,000 employees involved in customer service fulfillment of ISDN, digital, centrex and voice services. He previously directed engineering, network services, national account sales, marketing and real estate procurement as senior vice president of MFS Communications. While a senior executive with AT&T, Mr. Young was responsible for sales, marketing, operations, engineering, financial management and human resources. During that time, he also was selected by the Reagan Administration to serve as a special assistant to Secretary of Defense Casper Wienberger under the White House Executive Exchange Program.

Exhibit 5 (Cont'd)

Managerial Qualifications

CYNTHIA WORTHMAN

CHIEF FINANCIAL OFFICER TREASURER/SECRETARY/VICE PRESIDENT

Cynthia Worthman began her telecommunications career as vice president and chief financial officer with Bell Atlanticom Systems, a Bell Atlantic startup venture she helped grow into a \$150 million business. Her performance, coupled with overseeing a major acquisition that doubled the size of the organization, led to being named assistant treasurer of Bell Atlantic. During that time, she oversaw a \$2.5 billion acquisition, a \$400 million public offering, and saved more than \$13 million per year in interest by refinancing \$1 billion in long-term debt. Ms. Worthman most recently was chief financial officer of Questcom Inc. after serving as managing director of FutureVision of America, a provider of interactive and traditional television programming over a two-way, broadband fiber optic network. A certified public accountant, Ms. Worthman began her career at Deloitte Haskins & Sells where she was successively promoted to manager of the consulting staff in the firm's Detroit office.

JAMES L. BARWICK

SENIOR VICE PRESIDENT/TECHNOLOGY & CHIEF ENGINEER

James Barwick is responsible for identifying technological advances to be incorporated in KMC's rapidly expanding fiber optic telecommunications networks. He also oversees network engineering, as well as quality and compliance. A renowned expert in the field, he most recently served for eleven years as an independent technical and applications consultant to leading telecommunications companies and equipment manufacturers including Sprint, Kiewit Network Technologies, Johnson Controls, US West and Lucent Technologies. He previously was national director of sales for CIT Alcatel Inc. after directing GTE's Technical Service Division as vice president and general manager.

Exhibit 5 (Cont'd)

Managerial Qualifications

TRICIA BRECKENRIDGE SENIOR VICE PRESIDENT, BUSINESS DEVELOPMENT

Tricia Breckenridge's senior telecommunications management experience has played an important role in KMC II's rapid expansion since her appointment as vice president of business development in 1994. That experience includes the 1984 co-founding of Chicago Fiber Optic Corporation, the predecessor of Metropolitan Fiber Systems (MFS), where she was involved in the financing and construction of one of the first competitive access networks in the country.

Mrs. Breckenridge began her telecommunications career in 1982 as director of regulatory affairs for Telesphere Corporation, a non-facilities based reseller of long distance services. Her performance led to being named vice president of external affairs for Diginet, Inc. in 1989 and subsequent promotion to vice president of sales and marketing. In that capacity, she developed and managed strategic relationships with long distance carriers (IXCs), as well as development of Diginet's competitive access networks in Milwaukee, Wisconsin and Northbrook and Chicago, Illinois. She most recently established and directed FiberNet USA's Huntsville, Alabama operations as vice president and city general manager.

BRIAN KAWAMURA VICE PRESIDENT/GENERAL MANAGER, SOUTHERN DIVISION

Working from KMC's regional headquarters in Duluth, Georgia, Brian Kawamura is overseeing the operations and aggressive development of the company's telecommunications networks in eight U.S. metropolitan markets.

He most recently was vice president and general manager of the six-state Central Region for MFS WorldCom, Chicago. Brian previously held increasingly responsible positions with Litel Telecommunications' voice and data services, GTE Sprint Communications and Western Union Telegraph Company.

Exhibit 5 (Cont'd)

Managerial Qualifications

ROBERT L. NIBBS, JR.

VICE PRESIDENT/GENERAL MANAGER, NORTHERN DIVISION

Working from KMC's regional headquarters in Duluth, Georgia, Robert L. Nibbs Jr. is responsible for developing new KMC Telecom telecommunications networks in ten metropolitan markets during 1998.

Mr. Nibbs most recently served as vice president/product marketing for Ameritech Corporation, overseeing services generating more than \$5 billion in annual revenues. He holds an MBA from the Kellogg Graduate School of Business, an MA in psychology from Ball State University, and has completed Northwestern University's European, Far East and East European Business Modules. He has received the Center For Leadership Development Business Award, and served on the Boards of Directors of numerous civic organizations, including Girls Club of America, Indianapolis Public School Foundation and the Stanley K. Lacy Leadership Program.

CHARLES ROSENBLUM

SENIOR VICE PRESIDENT, HUMAN RESOURCES

Charles Rosenblum joined Kamine Development Corp. in 1995 as vice president of human resources and assumed responsibility for KMC Telecom and its affiliates in 1995. Mr. Rosenblum brings particular expertise in staff development to KMC, having served as national director of management development for KPMG Peat Marwick, one of the Big Six accounting and consulting firms, and manager of management education for Dun & Bradstreet Corporation. While with KPMG, he specialized in creating executive development programs in conjunction with leading business schools throughout the country.

Exhibit 6

**Small and Minority Owned Telecommunications
Business Participation Plan**

SMALL AND MINORITY OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN OF KMC TELECOM II, INC.

Policy Statement

KMC Telecom II, Inc. ("KMC II") acknowledges the importance of supporting the participation of small and minority owned telecommunications businesses in the telecommunications industry and the overall general business participation in the Tennessee telecommunications business operations. It is the policy of KMC II to provide small and minority owned telecommunications businesses an opportunity to compete for contracts and subcontracts for goods and services to KMC II. KMC II is committed to the identification and selection of qualified small and minority owned telecommunications businesses in this respect.

Further, with respect to its Tennessee business operations, it is the policy of KMC II to provide information on programs, if any, to provide technical assistance to small and minority owned telecommunications businesses when and where available in Tennessee.

KMC II acknowledges its obligation to contribute its share to the fund established by the Department of Economic and Community Development in accordance with Section 16 of Chapter 408 of the Public Acts of 1995 (the "Act") for the purpose of funding the Small and Minority Owned Telecommunications Business Assistance Program, which provides for loan guarantees, education services, and technical assistance and services.

Definitions

"Act" - Section 16 and 17 of Chapter 408 of the Public Acts of 1995.

"KMC Telecom II, Inc." or "KMC II", a Delaware corporation and wholly-owned subsidiary of KMC Telecom Holdings, Inc., with administrative offices located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921-2567, and telephone number (908) 470-2100.

"Minority Owned Telecommunications Business" - a telecommunications business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and the daily operations of such business, and who is impeded from normal entry into economic mainstream because of race, religion, sex or national origin and such business has an annual gross receipts of less than four million dollars (\$4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee:

- a) "Personally Manages" in this context shall mean actively involved in the day-to-day management.
- b) "Controls" in this context shall mean exercising the power to make policy decisions.

- c) "Who is impeded from normal entry" in this context shall mean individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their qualities as individuals and as provided in the regulation implementing Section B(a) and 7(j) of the Small Business Act, as amended by the Business Opportunity Development Reform Act of 1988, and Business Opportunity Development Reform Act Technical Corrections Act, (15 U.S.C. 67(a) and 636(j)), as amended by Pub. L. 100-656 and Pub. L. 101-37.

"Small Telecommunications Business" - A telecommunications company with annual gross receipts of less than four million dollars (\$4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee.

"Subcontract" - Any agreement (other than one involving an employer-employee relationship) entered into by KMC II with a non-affiliated company or individual calling for the direct or indirect purchase of raw materials, components, supplies and services needed to support KMC II's operations.

Goals

The goals of KMC II's Small and Minority Owned Telecommunications Business Participation Plan ("Plan") is to identify small and minority owned telecommunications businesses that are qualified to provide goods and services and to promote awareness among these businesses of the opportunities to develop business relationships with KMC II.

Plan Implementation

When appropriate, KMC II will invite bids, issue requests for proposals, or otherwise solicit offers from small and minority owned telecommunications businesses, except in the case of emergencies, or in cases where KMC II is bound by contract to purchase goods and services from other sources, to furnish specified goods or services to KMC II in furtherance of its Tennessee operations.

Plan Administration

In conducting its business affairs in Tennessee, KMC II will appoint one of its employees as the Administrator of the Plan. The Administrator will be responsible for obtaining and utilizing available resources for identifying small telecommunications business and minority owned telecommunications businesses interested and qualified in furnishing goods and services to KMC II and to cultivate an awareness among such businesses as to any opportunities to develop business relations with KMC II. The Administrator will also serve as resource for technical assistance to small telecommunications businesses and minority owned telecommunications business and will refer such businesses to sources of information and other technical assistance.

Plan Administrator

The administration of this Plan will be under the direction of (hereinafter called the "Administrator"):

**[PLEASE PROVIDE THE NAME, ADDRESS AND TELEPHONE NUMBER
OF KMC II'S PLAN ADMINISTRATOR]**

The duties of the Administrator are, among other things:

1. To develop policies and procedures to assure success of the Plan.
2. To maintain a current Plan acceptable to the Tennessee Regulatory Authority.
3. To conduct certification surveys as to the status of suppliers.
4. To establish and maintain a database and records in support of the Plan pursuant to the requirements of the Tennessee Regulatory Authority.
5. To search diligently for qualified small and minority owned telecommunications businesses and concerns through:
 - a. The Small Business Administration's Procurement Automated Source System (PASS), and publications of the Office of Minority Business Data Center in the Department of Commerce and the Office of Minority Small Business and Capital Ownership Development in the Small Business Administration.
 - b. Local and national associations and Minority Supplier Development councils.
 - c. Participation in trade fairs and industry meetings.
 - d. Advertisement in industry and local publications.
6. To prepare and submit such forms and information as may be required by the Tennessee Regulatory Authority.
7. Maintain liaison and cooperation with the Tennessee Regulatory Authority, and other agencies of the State of Tennessee to find and utilize qualified business concerns defined herein.
8. To support activities for assisting buyers in locating and qualifying the business concerns defined herein.

9. To provide required records and reports and cooperate in any authorized surveys by the Tennessee Regulatory Authority.

Compliance Reports

KMC II will submit reports, as may be required, for use in connection with subcontracting plans by the Tennessee Regulatory Authority and/or the State of Tennessee. KMC II will cooperate fully with all reasonable and appropriate surveys or studies required by the contracting agency in determining program compliance. However, KMC II reserves the right to designate documents, reports, surveys and/or studies as "confidential" or "proprietary."

Record Maintenance

KMC II will maintain records relating to KMC II's Small and Minority Owned Telecommunications Business Participation Plan for the purpose of evidencing the implementation of this policy, for use by KMC II in evaluating the effectiveness of the Plan and in obtaining the goals of the Plan, and for use in updating the Plan on an annual basis with the Tennessee Regulatory Authority, or as otherwise required.

ADOPTED THIS 9th day of December, 1998.

KMC Telecom II, Inc.

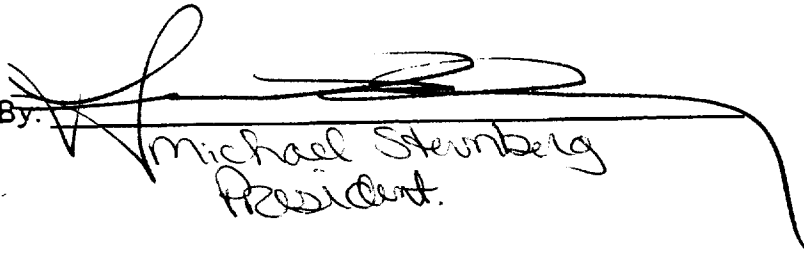
By: 
Michael Sternberg
President.

Exhibit 7

Rule Compliance Agreement

KMC II, in applying for authority as an Interexchange Reseller, hereby affirms the following:

- Has received, read, and understands the Tennessee Regulatory Authority (TRA; formerly TPSC) Interexchange Reseller Rules and Regulations.
- Understands the penalties for non-compliance, and all associated fees to provide such service.
- Will comply with the TRA Interexchange Reseller Rules and all other applicable Authority Rules and state laws, including T.C.A. Section 65-5-206.
- That all information provided in the attached Application is true to the best of my knowledge.

KMC Telecom II, Inc.

Company Name

12/9/98

Date

[Signature]

Company Official

President

Title

Subscribed and sworn before me

this 9th day of December, 1998.

[Signature]
Notary Public

My Commission Expires JEANNETTE BARRETTA
A Notary Public of New Jersey
My Commission Expires March 18, 2002
on _____

Seal

Exhibit 8

**Illustrative Local Exchange Service Tariff
and Interexchange Service Tariff**

TITLE SHEET

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES

APPLYING TO END-USER LOCAL EXCHANGE

TELECOMMUNICATIONS SERVICES WITHIN

THE STATE OF TENNESSEE

This tariff contains the rates, rules, and regulations governing end-user local exchange telecommunications services within the State of Tennessee provided by KMC Telecom II, Inc. with principal offices at 1545 Route 206, Bedminster, New Jersey 07921-2567

ILLUSTRATIVE

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EXPLANATION OF SYMBOLS, REFERENCE
MARKS, AND ABBREVIATIONS OF TECHNICAL
TERMS USED IN THIS TARIFF

The following symbols shall be used in this tariff for the purpose indicated below:

- | | |
|---|--|
| C | To signify changed regulation. |
| D | To signify discontinued rate or regulation. |
| I | To signify increased rate. |
| M | To signify a move in the location of text. |
| N | To signify new rate or regulation. |
| R | To signify reduced rate. |
| S | To signify reissued matter. |
| T | To signify a change in text but no change in rate or regulation. |

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APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate end-user local exchange telecommunications services by KMC Telecom II, Inc., hereinafter referred to as the Company, to customers within the State of Tennessee.

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DEFINITIONS

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DEFINITIONS

Certain terms used generally throughout this tariff are defined below.

Account Codes: Permits Centrex Stations and attendants to dial an account code number of up to eight digits. For use when placing calls over facilities arranged for Automatic Message Accounting (AMA) recording. The account or project number must be input prior to dialing the called number.

Advance Payment: Part or all of a payment required before the start of service.

Automatic Number Identification (ANI): Allows the automatic transmission of a caller's billing account telephone number to a local exchange company, interexchange carrier or a third party subscriber. The primary purpose of ANI is to allow for billing of toll calls.

Bit: The smallest unit of information in the binary system of notation.

Call Back/Camp On: Permits a station line encountering an all-trunk-busy condition the option of being notified when a trunk becomes idle.

Call Forwarding:

Call Forwarding Station: Allows calls directed to a station line to be routed to a user defined line inside or outside the customer's telephone system.

Call Forwarding System: Permits calls attempting to terminate to a busy station line to be re-directed to a predetermined line inside or outside the customer's telephone system.

Call Forwarding Remote: This optional feature allows a user to activate/deactivate the Call Forwarding - All Calls feature or change the forwarded to telephone number from a remote location.

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DEFINITIONS (Cont'd.)

Call Forwarding Busy: Allows incoming calls to a busy station to be routed to a preselected station line or attendant within the same system or outside the system. Intercom calls can be arranged to be forwarded to a number different from DID calls.

Call Forwarding Don't Answer: Allows incoming calls to be automatically routed to a preselected station line or attendant in the same system or outside the system, when the called station is not answered after a preset number of rings. Intercom calls can be arranged to be forwarded to a number different from DID calls.

Call Forwarding Variable Limited: When this feature is activated by a station line user or the attendant, incoming calls to the activated station line or attendant position will be automatically routed to any other selected station line, within the same Centrex system, or to the attendant position. The attendant may also activate this feature for a station line user.

Call Forwarding Variable Unlimited: The same as Call Forwarding Variable Limited except that incoming calls may be automatically routed to a telephone number outside the Centrex system or to station lines within the same Centrex system. The attendant may not activate this feature to a telephone number outside the Centrex system for a station line use. Calls forwarded outside the Centrex system are subject to the appropriate charges for local and toll messages.

Call Hold: Allows the user to hold one call for any length of time provided that neither party goes on-hook.

Call Park: Allows a station line to park a call against its own line number. The parked call can be retrieved from any station line by dialing a feature code and the line number against which the call is parked.

Call Pickup: Allows a station line to answer incoming calls to another station line within a defined call pickup group. Call pickup is provided on individual station lines within a customer group.

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DEFINITIONS (Cont'd.)

Call Transfer: Allows a station line user to transfer any established call to another station line inside or outside the customer group without the assistance of the attendant.

Call Waiting: Permits a line in the talking state to be alerted by a tone when another call is attempting to complete to the line. Audible ringing is returned to the originating line. The Service also provides a hold feature that is activated by a switchhook flash.

Communication Services: The Company's intrastate toll and local exchange switched telephone services offered for both intraLATA and interLATA use.

Company or KMC: KMC Telecom II, Inc., the issuer of this tariff.

Customer or Subscriber: The person, firm or corporation that orders service and is responsible for the payment of charges and compliance with the Company's regulations.

Dial Pulse (or "DP"): The pulse type employed by rotary dial station sets.

Direct Inward Dial (or "DID"): A service attribute that routes incoming calls directly to stations, by-passing a central answering point.

DID Trunk: A form of local switched access that provides the ability for an outside party to call an internal extension directly without the intervention of the company operator.

Direct Outward Dial (or "DOD"): A service attribute that allows individual station users to access and dial outside numbers directly.

Do Not Disturb: Permits the attendant to cut off a single station line and selected groups of station lines from receiving incoming and station-to-station calls.

DSX-1 Panel: Distribution equipment used to terminate and administer DS1 (1.544 Mbps) circuits.

Dual Tone Multi-Frequency (or "DTMF"): The pulse type employed by tone dial station sets.

Duplex Service: Service that provides for simultaneous transmission in both directions.

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DEFINITIONS (Cont'd.)

Fiber Optic Cable: A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple internal reflections to a receiver, which translates the message.

Hunting: Routes a call to an idle station line in a prearranged group when the called station line is busy.

In-Only: A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

Joint User: A person, firm or corporation that is designated by the Customer as a user of services furnished to the Customer by KMC and to whom a portion of the charges for the service will be billed under a joint user arrangement as specified herein.

Kbps: Kilobits per second, denotes thousands of bits per second.

Last Number Redial: Enables a station line user to redial the last called number by use of an access code rather than dialing the entire number.

LATA: A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

Local Exchange Carrier or ("LEC"): Denotes any individual, partnership, association, joint-stock company, trust or corporation engaged in providing switched communication within an exchange.

Mbps: Megabits, denotes millions of bits per second.

Multi-Frequency or ("MF"): An inter-machine pulse-type used for signalling between telephone switches, or between telephone switches and PBX/key systems.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, that continue for the agreed upon duration of the service.

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DEFINITIONS (Cont'd.)

Service Commencement Date: The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service that does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and Customer may mutually agree on a substitute Service Commencement Date.

Service Order: The written request for Network Services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Shared: A facility or equipment system or subsystem that can be used simultaneously by several Customers.

Speed Calling: Permits a station line user to dial selected numbers by using fewer digits than normally required. This is accomplished through the assignment of abbreviated codes to frequently called numbers. The speed calling list is customer-changeable.

System: Allows shared use of speed calling list. A control station will add, change or delete telephone numbers from the list for the group.

Station: Allows a station line user to add, change or delete telephone numbers from a speed calling list. The list is dedicated to the individual station line user.

Three-Way Calling: Allows a station line user to add a third party to an existing conversation.

Two Way: A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing.

User or End User: A Customer, Joint User, or any other person authorized by a Customer to use service provided under this tariff.

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REGULATIONS

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission between points within the State of Tennessee.

Customers and users may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd)

2.1.2 Shortage of Equipment or Facilities

- (A) The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- (B) The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.3 Terms and Conditions

- (A) Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.
- (B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Customers will also be required to execute any other documents as may be reasonably requested by the Company.
- (C) At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month-to-month basis at the then current rates unless terminated by either party upon 30 days' written notice. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination.
- (D) In any action between the parties to enforce any provision of this tariff, the prevailing party shall be entitled to recover its legal fees and court costs from the non-prevailing party in addition to other relief a court may award.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.3 Terms and Conditions (Cont'd.)

- (E) Service may be terminated upon written notice to the Customer if:
 - (1) the Customer is using the service in violation of this tariff; or
 - (2) the Customer is using the service in violation of the law.
- (F) This tariff shall be interpreted and governed by the laws of the State of Tennessee regardless of its choice of laws provision.
- (G) BellSouth and its affiliated local telephone companies must not interfere with the right of any person or entity to obtain service directly from the Company. No person or entity shall be required to make any payment, incur any penalty, monetary or otherwise, or purchase any services in order to have the right to obtain service directly from the Company.
- (H) To the extent that either the Company or any other telephone company exercises control over available cable pairs, conduit, duct space, raceways, or other facilities needed by the other to reach a person or entity, the party exercising such control shall make them available to the other on terms equivalent to those under which the Company makes similar facilities under its control available to its customers. At the reasonable request of either party, the Company and the other telephone company shall join the attempt to obtain from the owner of the property access for the other party to serve a person or entity.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.4 Liability of the Company

- (A) The liability of the Company for damages arising out of the furnishing of its Services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or arising out of the failure to furnish the service, whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in 2.6. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.
- (B) The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.4 Liability of the Company (Cont'd.)

- (C) The Company shall not be liable for any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for or with the services the Company offers.
- (D) The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.
- (E) The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnities and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section 2.1.4(E) as a condition precedent to such installations.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.4 Liability of the Company (Cont'd.)

- (F) The Company is not liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, unless such defacement or damage is caused by negligence or willful misconduct of the Company's agents or employees.
- (G) The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.
- (H) The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid the Company by the Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the service is rendered.
- (I) **THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.**

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.5 Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.6 Provision of Equipment and Facilities

- (A) The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.
- (B) The Company shall use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.
- (C) The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer.
- (D) Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which it was provided by the Company.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.6 Provision of Equipment and Facilities (Cont'd.)

- (E) The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the Premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.
- (F) The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:
 - (1) the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission; or
 - (2) the reception of signals by Customer-provided equipment.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.7 Non-Routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

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REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.8 Special Construction

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is that construction undertaken:

- (A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;
- (B) of a type other than that which the Company would normally utilize in the furnishing of its services;
- (C) over a route other than that which the Company would normally utilize in the furnishing of its services;
- (D) in a quantity greater than that which the Company would normally construct;
- (E) on an expedited basis;
- (F) on a temporary basis until permanent facilities are available;
- (G) involving abnormal costs; or
- (H) in advance of its normal construction.

2.1.9 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

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REGULATIONS (Cont'd.)

2.2 Prohibited Uses

- (A) The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.
- (B) The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and Tennessee Public Service Commission regulations, policies, orders, and decisions.
- (C) The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.
- (D) A customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply.

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REGULATIONS (Cont'd.)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for:

- (A) the payment of all applicable charges pursuant to this tariff;
- (B) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;
- (C) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

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REGULATIONS (Cont'd.)

2.3 Obligations of the Customer (Cont'd.)

2.3.1 General (Cont'd.)

- (D) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of fiber optic cable and associated equipment used to provide Communication Services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.3.1(C). Any and all costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service;
- (E) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;

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REGULATIONS (Cont'd.)

2.3 Obligations of the Customer (Cont'd.)

2.3.1 General (Cont'd.)

- (F) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(D); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;
- (G) not creating, or allowing to be placed, any liens or other encumbrances on the Company's equipment or facilities; and
- (H) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance will be made for the period during which service is interrupted for such purposes.

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REGULATIONS (Cont'd.)

2.3 Obligations of the Customer (Cont'd.)

2.3.2 Claims

With respect to any service or facility provided by the Company, Customers shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for:

- (A) any loss, destruction or damage to the property of the Company or any third party, or death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- (B) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

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REGULATIONS (Cont'd.)**2.4 Customer Equipment and Channels****2.4.1 General**

A User may transmit or receive information or signals via the facilities of the Company. The Company's services are designed primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A User may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

2.4.2 Station Equipment

- (A) Terminal equipment on the User's Premises and the electric power consumed by such equipment shall be provided by and maintained at the expense of the User. The User is responsible for the provision of wiring or cable to connect its terminal equipment to the Company Point of Connection.
- (B) The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

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REGULATIONS (Cont'd.)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.3 Interconnection of Facilities

- (A) Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Communication Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.
- (B) Communication Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers that are applicable to such connections.
- (C) Facilities furnished under this tariff may be connected to Customer-provided terminal equipment in accordance with the provisions of this tariff. All such terminal equipment shall be registered by the Federal Communications Commission pursuant to Part 68 of Title 47, Code of Federal Regulations; and all User-provided wiring shall be installed and maintained in compliance with those regulations.
- (D) Users may interconnect communications facilities that are used in whole or in part for interstate communications to services provided under this tariff only to the extent that the user is an "End User" as defined in Section 69.2(m), Title 47, Code of Federal Regulations (1992 edition).

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REGULATIONS (Cont'd.)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.4 Inspections

- (A) Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2(B) for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.
- (B) If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements

2.5.1 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer and to all Users authorized by the Customer, regardless of whether those services are used by the Customer itself or are resold to or shared with other persons.

(A) Taxes

The Customer is responsible for payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on Company's net income) imposed on or based upon the provision, sale or use of Network Services.

2.5.2 Billing and Collection of Charges

- (A) Non-recurring charges are due and payable from the customer within 30 days after the invoice date, unless otherwise agreed to in advance.
- (B) The Company shall present invoices for Recurring Charges monthly to the Customer, in advance of the month in which service is provided, and Recurring Charges shall be due and payable within 30 days after the invoice date. When billing is based on customer usage, charges will be billed monthly for the preceding billing periods.
- (C) When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.2 Billing and Collection of Charges (Cont'd.)

- (D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- (E) If any portion of the payment is received by the Company after the date due, or if any portion of the payment is received by the Company in funds that are not immediately available, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by the lesser of the highest percentage allowable by the Tennessee Public Service Commission or a late factor of 1.5% per month.
- (F) The Customer will be assessed a charge of twenty-five dollars (\$25.00) for each check submitted by the Customer to the Company that a financial institution refused to honor.
- (G) Customers have up to 90 days (commencing 5 days after remittance of the bill) to initiate a dispute over charges or to receive credits.
- (H) If service is disconnected by the Company in accordance with section 2.5.5 following and later restored, restoration of service will be subject to all applicable installation charges

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.3 Advance Payments

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished. The advance payment will not exceed an amount equal to the non-recurring charge(s) and one month's charges for the service or facility. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill. An advance payment may be required in addition to a deposit.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.4 Deposits

- (A) To safeguard its interests, the Company may require a Customer to make a deposit to be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to:
 - (1) two month's charges for a service or facility that has a minimum payment period of one month; or
 - (2) the charges that would apply for the minimum payment period for a service or facility that has a minimum payment period of more than one month; except that the deposit may include an additional amount in the event that a termination charge is applicable.
- (B) A deposit may be required in addition to an advance payment.
- (C) When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account.
- (D) Deposits held will accrue interest at a rate determined by the Company without deductions for any taxes on such deposits. Interest will not accrue on any deposit after the date on which reasonable effort has been made to return it to the Customer.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.5 Discontinuance of Service

- (A) Upon nonpayment of any amounts owing to the Company, the Company may, by giving 24 hours prior written notice to the Customer, discontinue or suspend service without incurring any liability.
- (B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 30 days' prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.
- (C) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.5 Discontinuance of Service (Cont'd.)

- (D) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.
- (E) Upon any governmental prohibition or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.
- (F) In the event of fraudulent use of the Company's network, the Company will discontinue service without notice and/or seek legal recourse to recover all costs involved in enforcement of this provision.
- (G) Upon the Company's discontinuance of service to the Customer under Section 2.5.5(A) or 2.5.5(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges that would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.6 Cancellation of Application for Service

- (A) Applications for service cannot be canceled without the Company's agreement. Where the Company permits a Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.
- (B) Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs incurred by the Company, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service commenced (all discounted to present value at six percent).
- (C) Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred by the Company, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.
- (D) The special charges described in 2.5.6(A) through 2.5.6(C) will be calculated and applied on a case-by-case basis.

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REGULATIONS (Cont'd.)

2.5 Payment Arrangements (Cont'd.)

2.5.7 Changes in Service Requested

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

2.6 Allowances for Interruptions in Service

Interruptions in service that are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.6.1 for the part of the service that the interruption affects.

2.6.1 Credit for Interruptions

- (A) A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.
- (B) For calculating credit allowances, every month is considered to have 30 days. A credit allowance for fixed recurring fees only is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

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REGULATIONS (Cont'd.)2.6 Allowances for Interruptions in Service (Cont'd.)2.6.1 Credit for Interruptions (Cont'd.)

- (C) A credit allowance will be given for interruptions of 30 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

<u>Length of Interruption</u>	<u>Interruption Period To Be Credited</u>
Less than 30 minutes	None
30 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

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REGULATIONS (Cont'd.)

2.6 Allowances for Interruptions in Service (Cont'd.)

2.6.1 Credit for Interruptions (Cont'd.)

(C) (Cont'd.)

Over 24 Hours and Less Than 72 Hours. Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than 30 days' credit will be allowed for any one month period.

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REGULATIONS (Cont'd.)

2.6 Allowances for Interruptions in Service (Cont'd.)

2.6.2 Limitations on Allowances

No credit allowance will be made for:

- (A) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;
- (B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- (C) interruptions due to the failure or malfunction of non-Company equipment;
- (D) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (E) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (F) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and
- (G) interruption of service due to circumstances or causes beyond the control of Company.

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REGULATIONS (Cont'd.)

2.6 Allowances for Interruptions in Service (Cont'd.)

2.6.3 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equalling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit that has been subject to the outage or cumulative service credits.

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REGULATIONS (Cont'd.)

2.7 Use of Customer's Service by Others

2.7.1 Resale and Sharing

Any service provided under this tariff may be resold to or shared with other persons at the option of the Customer, subject to compliance with any applicable laws or Tennessee Public Service Commission regulations governing such resale or sharing. The Customer remains solely responsible for all use of services ordered by it or billed to its telephone number(s) pursuant to this tariff, for determining who is authorized to use its services, and for notifying the Company of any unauthorized use.

2.7.2 Joint Use Arrangements

Joint use arrangements will be permitted for all services provided under this tariff. From each joint use arrangement, one member will be designated as the Customer responsible for the manner in which the joint use of the service will be allocated. The Company will accept orders to start, rearrange, relocate, or discontinue service only from the designated Customer. Without affecting the Customer's ultimate responsibility for payment of all charges for the service, each joint user shall be responsible for the payment of the charges billed to it.

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REGULATIONS (Cont'd.)

2.8 Cancellation of Service

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in Section 2.6.1 above), the Customer agrees to pay to the Company termination liability charges, as defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period, set forth in Section 2.5.2.

The Customer's termination liability for cancellation of service shall be equal to:

- (A) all unpaid Non-Recurring charges reasonably expended by the Company to establish service to the Customer; plus
- (B) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by the Company on behalf of the Customer; plus
- (C) all Recurring Charges specified in the applicable Service Order Tariff for the balance of the then current term discounted at the prime rate announced in the Wall Street Journal on the third business day following the date of cancellation; minus
- (D) a reasonable allowance for costs avoided by the Company as a direct result of the Customer's cancellation.

2.9 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties:

- (A) to any subsidiary, parent company or affiliate of the Company; or
- (B) pursuant to any sale or transfer of substantially all the assets of the Company; or
- (C) pursuant to any financing, merger or reorganization of the Company.

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REGULATIONS (Cont'd.)

2.10 Notices and Communications

- (A) The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that the Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- (B) The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.
- (C) All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- (D) The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

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REGULATIONS (Cont'd.)

2.11 Operator Services Rules

(A) The Company will enforce the following operator service rules.

A provider of intrastate operator assisted communications services must:

- (1) identify itself at the time the end-user accesses its services;
- (2) upon request, quote all rates and charges for its services to the end-user accessing its system;
- (3) arrange to have posted in plain view at each telephone location which automatically accesses the operator service provider's network and where its services are made available to the public or transient end-users:
 - (a) the operator service provider's name and address;
 - (b) bill and service dispute calling information including the operator service provider's dispute resolution phone number;
 - (c) clear and specific instructions informing the end-user how to access a local exchange telephone company operator as an alternative available to the end-user; and
 - (d) notice concerning any and all amounts to be billed by the operator services provider on behalf of any host location or third party that will appear on the operator service provider's bill for services rendered.

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REGULATIONS (Cont'd.)

2.11 Operator Services Rules (Cont'd.)

(A) (Cont'd.)

- (4) in instances when the provider is unable to complete the call and it requires transfer to another telephone corporation that may affect the rates and charges applicable to the telephone bill, inform the caller of the transfer and its possible effect on the applicable rates and charges, before any charges are incurred; and
- (5) in the case of such transfer, the telephone corporation or provider to which the call is transferred shall identify itself and inform the caller of the transfer's effect on the applicable rates and charges, before any charges are incurred.

(B) The Company will comply with the following provisions:

- (1) Providers of intrastate operator assisted communications services shall not take any, action or enter into any arrangement that restricts end-user selection among competing interexchange telephone corporations or end-users access to competing providers of intrastate operator assisted communications services, or pay any commissions or other compensation to any entity engaged in such action or arrangement.

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APPLICATION OF RATES

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APPLICATION OF RATES

3.1 Introduction

The regulations set forth in this section govern the application of rates for services contained in other sections of this tariff.

3.2 Charges Based on Duration of Use

Where charges for a service are specified based on the duration of use, such as the duration of a telephone call, the following rules apply:

- (A) Calls are measured in durational increments identified for each service. All calls that are fractions of a measurement increment are rounded-up to the next whole unit.
- (B) Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where this signaling is provided by the terminating local carrier and any intermediate carrier(s). Timing for operator service person-to-person calls start with completion of the connection to the person called or an acceptable substitute, or to the PBX station called.
- (C) Timing terminates on all calls when the calling party hangs up or the Company's network receives an off-hook signal from the terminating carrier.
- (D) Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call.
- (E) All times refer to local time.

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APPLICATION OF RATES (Cont'd.)

3.3 Rates Based Upon Distance

Where charges for a service are specified based upon distance, the following rules:

- (A) Distance between two points is measured as airline distance between the rate centers of the originating and terminating telephone lines. The rate center is a set of geographic coordinates, as referenced in the Local Exchange Routing Guide issued by Bellcore, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where there is no telephone number associated with an access line on the Company's network (such as a dedicated 800 or WATS access line), the Company will apply the rate center of the Customer's main billing telephone number.

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APPLICATION OF RATES (Cont'd.)

3.3 Rates Based Upon Distance (Cont'd.)

(B) The airline distance between any two rate centers is determined as follows:

- (1) Obtain the "V" (vertical) and "H" (horizontal) coordinates for each rate center from the Bellcore Local Exchange Routing guide referenced in Section 3.3(A).
- (2) Compute the difference between the "V" coordinates of the two rate centers; and the difference between the two "H" coordinates.
- (3) Square each difference obtained in step (2) above.
- (4) Add the square of the "V" difference and the square of the "H" difference obtained in step (3) above.
- (5) Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.
- (6) Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.
- (7) FORMULA =

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

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SERVICE AREAS

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SERVICE AREAS

4.1 Exchange Access Service Areas

Exchange Access Service Areas (EASA) are provided (pursuant to Section 5.1) in limited geographic areas. Exchange Access Services bearing the following NPA-NXX designations are provided in the following areas:

<u>NPA-NXX</u>	<u>Geographic Areas In Which Full Service Is Available¹</u>
----------------	--

Exchange Access NPA-NXXs And Boundaries Are To Be Determined.

¹ Full service versions of the Company's Exchange Access Services will be provided to Customers at Customer premises located in these areas pursuant to this tariff to the extent that: (a) the Company has in place and available network facilities extending to such premises; or (b) the Customer's premises is served by the Company's wire center at which the Company maintains a collocation arrangement and is able to reasonably employ such arrangement to interconnect to unbundled exchange link facilities that the Company, in its sole discretion, judges to be of a type, grade, technical specification, quality and quantity sufficient to, and offered under conditions consistent with, the delivery of such services.

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SERVICE AREAS (Cont'd.)

4.2 Calling Areas

Geographically-defined Local Calling Areas¹ are associated with each Exchange Access Service provided pursuant to Section 5.1. Exchange Access Services bearing the following NPA-NXX designations shall have the following Local and IntraLATA Calling Areas:

<u>NPA-NXX</u>	<u>Local Calling Area Or IntraLATA Calling Area</u>
----------------	---

Local Calling Areas and IntraLATA Calling Areas Are To Be Determined.

¹ Rates and rate plans for Local and IntraLATA Calling Area calls placed over Company-provided Exchange Access Services are set forth in Section 8.

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EXCHANGE ACCESS SERVICE

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EXCHANGE ACCESS SERVICE

5.1 General

Exchange Access Service provides a Customer with a telephonic connection to, and a unique telephone number address on the public switched telecommunications network. Each Exchange Access Service enables users to:

- (A) receive calls from other stations on the public switched telecommunications network;
- (B) access other services offered by the Company as set forth in this tariff;
- (C) access certain interstate and international calling services provided by the Company;
- (D) access (at no additional charge) the Company's operators and business office for service related assistance;
- (E) access (at no additional charge) emergency services by dialing 0- or 9-1-1; and
- (F) access services provided by other common carriers that purchase the Company's Switched Access services as provided under the Company's Federal and State tariffs, or that maintain other types of traffic exchange arrangements with the Company.

Each Exchange Access Service is available on a "Full" service basis, whereby service is delivered to a demarcation/connection block at the customer's premises.

The following Exchange Access Services are offered:

Basic Line Service
Key Line Service
Basic Trunk Service
DID Trunk Service
Digital Trunk Service
Centrex Service

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EXCHANGE ACCESS SERVICE (Cont'd.)5.2 Basic Line Service

Basic Line Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Lines are provided for connection of Customer-provided single station sets or facsimile machines to the public switched telecommunications network. Each Basic Line may be configured into a hunt group with other Company-provided Basic Lines. Each Basic Line is provided with the following standard features which can be deleted at the Customer's option:

Touch Tone
Call Waiting
Call Forwarding
Three-Way Conference Calling

Non-recurring and monthly recurring rates per Basic Line apply as follows:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Basic Local Exchange Service -Each Line	\$58.50	\$72.48
Expanded Local Exchange Service -Each Line	\$58.50	\$72.48

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EXCHANGE ACCESS SERVICE (Cont'd.)5.3 Key Line Service

Key Line Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Key Lines are provided for connection of Customer-provided key systems to the public switched telecommunications network. Each Key Line is provided with the following standard features which can be deleted at the Customer's option:

Touch Tone
Call Waiting
Call Forwarding
Three-Way Conference Calling
Extension Dialing
Call Hunting

Non-recurring and monthly recurring rates per Key Line apply as follows:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Basic Local Exchange Service -Each Line	\$58.50	\$72.48
Expanded Local Exchange Service -Each Line	\$58.50	\$72.48

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EXCHANGE ACCESS SERVICE (Cont'd.)5.4 Basic Trunk Service

Basic Trunk Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Trunks are provided for connection of Customer-provided private branch exchanges (PBX) to the public switched telecommunications network. Each Basic Trunk is provided with touch tone signalling and may be configured into a hunt group with other Company-provided Basic Trunks.

Basic Trunks may be equipped with Analog Direct Inward Dial (DID) capability and DID number blocks for additional charges, as set forth in Section 6.2.

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Basic Local Exchange Service -Each Line	\$58.50	\$72.48
Expanded Local Exchange Service -Each Line	\$58.50	\$72.48

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EXCHANGE ACCESS SERVICE (Cont'd.)5.5 DID Trunk Service

DID Trunk Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to receive incoming calls one call at a time. DID Trunk Service transmits the dialed digits for all incoming calls allowing the Customer's PBX to route incoming calls directly to individual stations corresponding to each individual DID number. Charges for DID number blocks apply in addition to the DID Trunk charges listed below.

Non-recurring and monthly recurring rates per DID Trunk, apply as follows:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Basic Local Exchange Service -Each Line	\$108.50	\$59.70
Expanded Local Exchange Service -Each Line	\$108.50	\$59.70

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EXCHANGE ACCESS SERVICE (Cont'd.)5.6 Digital Trunk Service

Digital Trunk Service provides a Customer with a digital connection operating at 1.544 Mbps that is time division multiplexed into 24 individual voice-grade telephonic communications channels, each of which can be used to place or receive one call at a time. Digital Trunks are provided for connection of compatible Customer-provided private branch exchanges (PBX) to the public switched telecommunications network. Each Digital Trunk is provided with dual tone multi-frequency (DTMF) or multi-frequency (MF) signalling, as specified by the Customer. Digital Trunks may be configured into hunt groups with other Company-provided Digital Trunks. The terminal interface for each Digital Trunk Service is a DSX-1 panel.

Non-recurring and monthly recurring rates per Digital Trunk per point, apply as follows:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Per Trunk	RESERVED FOR FUTURE USE	

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EXCHANGE ACCESS SERVICE (Cont'd.)5.7 Centrex Service

Centrex Service provides the Customer with multiple individual voice-grade telephone communications channels, each of which can be used to place or receive one call at a time. Centrex Station Lines are provided for connection of Centrex-compatible Customer-provided station sets to the public switched telecommunications network. Centrex Service standard and optional features are described in Section 1 of this tariff. Centrex Service is provided with a minimum of five Centrex Station Lines. Each Centrex Station Line is provided in combination with other Company-provided services. Centrex Services are offered as Centrex Basic and Centrex Select.

5.7.1 Centrex Basic

The standard features are as follows:

Touch Tone
Call Transfer
Call Hold
Three-Way Conference Calling

* Some features may not be available in all locations.

5.7.2 Centrex Select

The standard features are as follows:

Touch Tone	Call Forward/Variable
Call Transfer	System Speed Dial
Call Hold	Call Pick-up
Three-Way Conferencing	Call Hunting
Call Forward/Busy	Call Waiting
Call Forward/Don't Answer	

* Some features may not be available in all locations.

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EXCHANGE ACCESS SERVICE (Cont'd.)5.7 Centrex Service (Cont'd.)5.7.3 Station Line Charges

The Centrex Station Lines are charged on a monthly recurring and non-recurring basis.

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Centrex Basic -Per Station Line	RESERVED FOR FUTURE USE	
Centrex Select -Per Station Line	RESERVED FOR FUTURE USE	

5.7.4 Usage Charges(A) Local Service Rates

Refer to the Rate Schedule located in Section 8.

(B) IntraLATA Rates

Refer to the Rate Schedule located in Section 9.3.

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EXCHANGE ACCESS SERVICE (Cont'd.)5.7 Centrex Service (Cont'd.)5.7.5 Rate Elements

The following Rate Elements are in addition to the standard features located in Section 5.7.1 and 5.7.2. These rates are applied on a non-recurring and monthly recurring basis.

	<u>Rate</u>
Number Retention	
-Per Number	
Recurring	RESERVED FOR FUTURE USE
Non-Recurring	RESERVED FOR FUTURE USE
Order Processing Charge	
-Per Order	
Non-Recurring	RESERVED FOR FUTURE USE
Additional Directory Listing	
-Per Listing	
Recurring	RESERVED FOR FUTURE USE
Remote Call Forwarding	
-Per Path	
Recurring	RESERVED FOR FUTURE USE
Account Codes	
-Per Line	
Recurring	RESERVED FOR FUTURE USE

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EXCHANGE ACCESS SERVICE (Cont'd.)

5.7 Centrex Service (Cont'd.)

5.7.5 Rate Elements (Cont'd.)

	<u>Rate</u>
Service Establishment Charge	
-Per Order	
Non-Recurring	RESERVED FOR FUTURE USE
Vanity Number	
-Per Number	
Recurring	RESERVED FOR FUTURE USE
Vanity Number Retention	
-Per Number	
Recurring	RESERVED FOR FUTURE USE
Non-Recurring	RESERVED FOR FUTURE USE

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EXCHANGE ACCESS OPTIONAL FEATURES

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EXCHANGE ACCESS OPTIONAL FEATURES6.1 Directory Listings

For each Customer of Company-provided Exchange Access Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number¹ in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge. At a Customer's option, the Company will arrange for additional listings at the following rates:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Each Additional Listing:	N/A	RESERVED FOR FUTURE USE

¹ For Customers with multiple premises served by the Company, the Company will arrange for a listing of the main billing telephone number at each premise.

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EXCHANGE ACCESS OPTIONAL FEATURES (Cont'd.)6.2 Direct Inward Dial (DID) Service

DID service is an optional feature which can be purchased in conjunction with Company-provided Basic Trunks or Digital Trunks. DID service transmits the dialed digits for all incoming calls allowing the Customer's PBX to route incoming calls directly to individual stations corresponding to each individual DID number. Charges for DID capability and DID number blocks apply in addition to charges specified for Basic Trunks or Digital Trunks in Sections 5.4, 5.5 and 5.6, respectively.

One DID Additive charge applies for each DID-equipped Basic Trunk or DID-equipped channel on a Digital Trunk. The Customer is required to purchase at least one DID number block for each DID-equipped trunk or trunk group, or DID-equipped channel or channel group.¹

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
DID Additive	\$50.00	\$20.00
Block of 20 DID Numbers	\$55.00	\$3.40
Addtl Block of 20 DID Numbers	\$55.00	\$3.40

¹ A "group" is a set of Basic Trunks or Digital Trunk channels which have been configured into a hunt group.

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EXCHANGE ACCESS OPTIONAL FEATURES (Cont'd.)6.3 Main Number Retention6.3.1 Description

Main Number Retention is an optional feature by which a new Customer, who was formally a customer of another certificated local exchange carrier at the same premises location, may retain its main telephone numbers and main fax numbers for use with the Company-provided Exchange Access Services. Main Number Retention service is only available in areas where the Company maintains some form of number retention arrangement with the Customer's former local exchange carrier.

Monthly recurring and non-recurring charges apply per retained number. Rates for retained numbers may vary from area to area.

6.3.2 Rates

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
per retained number	\$X.XX	RESERVED FOR FUTURE USE
per retained vanity number	\$X.XX	RESERVED FOR FUTURE USE

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EXCHANGE ACCESS OPTIONAL FEATURES (Cont'd.)6.4 Accounting Codes

Accounting Codes provide customers with a means of restricting calls or itemizing calls, according to specific digits that must be dialed at the end of a long distance telephone number. The length of Accounting Codes may vary from 2 to 6 digits, however, the length must be consistent for each customer location.

Offered are packages of codes that are verified against a specific list of valid numbers, for call restriction, or unverified packages of 2-6 digits in length for cataloging by code the calls made.

<u>Charge Per</u> <u>Customer Location</u>	<u>Monthly</u> <u>Recurring</u>	<u>Non-</u> <u>Recurring</u>
Verified Packages	RESERVED FOR FUTURE USE	
Unverified Packages	RESERVED FOR FUTURE USE	

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EXCHANGE ACCESS OPTIONAL FEATURES (Cont'd.)**6.5 Authorization Codes**

This option restricts calls from being made unless the correct accounting code is entered. Only customer specified codes will be accepted. The customer then may use these codes to track calling for cost analysis and bill-back purposes.

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Per Authorization Code	RESERVED FOR FUTURE USE	

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EXCHANGE ACCESS OPTIONAL FEATURES (Cont'd.)6.6 Vanity Number Service6.6.1 Description

Vanity Number Service is an optional feature by which a new Customer may request a specific or unique telephone number and fax number for use with the Company provided Exchange Access Services. This service provides for the assignment of a customer requested telephone number other than the next available number from the assignment control list.

Vanity Number Service is furnished subject to the availability of facilities and the requirements of Exchange Access Service as defined by the Company. The Company reserves all rights to the Vanity Numbers assigned to customers and may, therefore, change them if required.

Monthly recurring charges apply per Vanity Number.

6.6.2 Rates

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Per Vanity Number	RESERVED FOR FUTURE USE	

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RESOLD LOCAL EXCHANGE SERVICE

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RESOLD LOCAL EXCHANGE SERVICE**7.1 Description**

Resold Local Exchange Service is composed of the resale of exchange access lines and local calling provided by other certificated Local Exchange Carriers, in combination with Company-provided usage services, miscellaneous services or interstate/international services.

7.2 Rates

The following rates apply for Resold Local Exchange Services:

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
<u>Resold Basic Lines:</u>		
(1) <u>Flat-Rate Service</u>		
1st Line	\$58.50	\$72.48
Each Addtl Line	\$31.00	\$72.48
(2) <u>Measured Service</u>		
1st Line	\$58.50	\$61.28
Each Addtl Line	\$31.00	\$61.28
<u>Resold Basic Trunks¹</u>		
(1) <u>Flat-Rate Service</u>		
1st Line	\$58.50	\$72.48
Each Addtl Line	\$31.00	\$72.48
(2) <u>Measured Service</u>		
1st Line	\$58.50	\$61.28
Each Addtl Line	\$31.00	\$61.28

Resold features associated with resold local exchange service will be priced according to the rates established for such features in the underlying carrier's effective intrastate tariffs.

¹ Includes Hunting

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RESOLD LOCAL EXCHANGE SERVICE (Cont'd.)7.2 Rates (Cont'd.)

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
<u>Resold Direct Inward Dial (DID) Service</u>		
<u>DID Trunk Termination:</u>		
DID Trunk Termination,each Inward Only Trunk	\$50.00	\$20.00
DID Trunk Termination,each Combination Trunk	\$250.00	\$45.00
<u>DID Station Numbers:</u>		
1st Block of 20 DID Station Numbers	\$55.00	\$3.40
Add'l Block of 20 DID Station Numbers	\$55.00	\$3.40
<u>Optional Features:</u>		
MF Pulsing Option	N/A	\$7.50
DTMF Pulsing Option	N/A	\$7.50
Automatic Intercept Service, per number referred	\$16.00	N/A
<u>Resold Local Usage</u>		
<u>Measured Rate Calling</u>	<u>Peak Minute</u>	<u>Off-Peak Minute</u>
Band A (Local Calling)	\$0.0200	\$0.0100
Band B (17-30 Miles)	\$0.0500	\$0.0250
Band C (31-40 Miles)	\$0.1000	\$0.0500

The following rates for Local Exchange Resold Services are set forth in Section 8 and Section 10 of the tariff.

Resold features associated with Resold Local Exchange Service will be priced according to the rates established for such features in the underlying carrier's effective intrastate tariffs.

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KMC Telecom II, Inc.

T.R.A. Tariff No. 1
Section 8 - Original Title Page

LOCAL CALLING SERVICE

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LOCAL CALLING SERVICE

8.1 Description

Local Calling Service provides a Customer with the ability to originate calls from a Company-provided access line to all other stations on the public switched telephone network¹ bearing the designation of any central office exchanges, areas, and zones included in the Customer's local calling area.

8.1.1 Basic Local Exchange Service - This calling service allows the Customer unlimited access to all other stations on the public switched telephone network within the customer's Basic Local Calling Area.² All calls to destinations outside the Basic Local Calling Area but within the same state and LATA will be charged the IntraLATA rates as specified in Section 9.3 following.

8.1.2 Expanded Local Exchange Service - This calling service allows the Customer limited access to all other stations on the public switched telephone network within the Customer's Basic Local Calling Area. Additional calls to the Basic Local Calling Area will be charged as specified in Section 8.2.1(A) following. All calls to the Expanded Local Calling Area² will be charged a per call setup and per minute access charge as specified in Section 8.2.1(B) following. All calls to destinations outside the Expanded Local Calling Area but within the same state and LATA will be charged the IntraLATA rates as specified in Section 9.3 following.

¹ Except calls to other telephone companies' caller paid information services (e.g. NPA 900, NXX 976, etc.). Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company's centralized switching facility.

² As specified in South Central Bell's tariff in effect and as amended from time-to-time.

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LOCAL CALLING SERVICE (Cont'd.)8.1 Description (Cont'd.)8.1.2 Expanded Local Exchange Service (Cont'd.)(A) Time Periods

Day and Night/Weekend rates apply as follows:

<u>Rates</u>	<u>From</u>	<u>To (but not including)</u>	<u>Days Applicable</u>
Day	9:00 A.M.	9:00 P.M.	Mon. - Fri.
Night/Weekend	All other days, times, and holidays.		

Holidays include New Year's Day (January 1), Independence Day (July 4), Labor Day (the first Monday in September), Thanksgiving Day (the fourth Thursday in November), and Christmas Day (December 25).

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LOCAL CALLING SERVICE (Cont'd.)8.2 Rates

The rates set forth in this section apply to all direct dialed local calls. For operator-assisted local calls, the operator charges listed in Section 10.1.3 apply in addition to the charges listed below.

8.2.1 Usage Charges - Per minute charges apply for each call. Timing is in whole minute increments, with a minimum charge of one minute per call.

(A) Monthly Message Allowance

<u>Type of Service</u>	<u>Basic Calling Area</u>	<u>Extended Calling Area</u>
Basic Local Exchange Service	TBD	TBD ¹
Expanded Local Exchange Service	TBD	TBD

*Additional message charge of \$X.XX for each message over monthly allowance.

(B) Expanded Calling Area - The following usage charges apply to points in the Customer's Expanded Calling Area.

<u>MILEAGE</u>	<u>PEAK</u>	<u>OFF-PEAK</u>
0 - 10 (Local)	\$0.0200	\$0.0100
17 - 30	\$0.0500	\$0.0250
31 - 41	\$0.1000	\$0.0500

INTRALATA CALLING SERVICE

¹ Customers of Basic Local Exchange Service are billed intraLATA rates for calls to destinations within the state and LATA but outside the Basic Local Calling Area.

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INTRALATA CALLING SERVICE9.1 Description

IntraLATA calling service provides a Customer with the ability to originate calls from a Company-provided access line to all other stations on the public switched telephone network¹ bearing the designation of any central office exchanges, areas, and zones outside of the Customer's Basic Calling Area but within the same state and LATA.

9.2 Time Periods

Day, Evening and Night/Weekend rate periods are shown below. On holidays, Evening rates will apply unless a lower rate will normally apply.

<u>Rates</u>	<u>From</u>	<u>To (but not including)</u>	<u>Days Applicable</u>	<u>Discount Applicable</u>
Day	8:00 A.M.	12:00 P.M.	Mon. - Fri.	0%
	1:00 P.M.	5:00 P.M.	Mon. - Fri.	0%
Evening	5:00 P.M.	11:00 P.M.	Mon. - Fri.	25%
Night/ Weekend	All other times			50%

Holidays include New Year's Day (January 1), Independence Day (July 4), Labor Day (the first Monday in September), Thanksgiving Day (the fourth Thursday in November), and Christmas Day (December 25).

¹ Except calls to other telephone companies' caller paid information services (e.g. NPA 900, NXX 976, etc.). Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company's centralized switching facility.

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INTRALATA CALLING SERVICE (Cont'd.)**9.3 Rates**

<u>MILEAGE</u>	<u>FIRST MINUTE</u>	<u>ADDITIONAL MINUTE</u>
0 - 10	\$0.10	\$0.10
11 - 16	\$0.10	\$0.10
17 - 22	\$0.15	\$0.15
23 - 30	\$0.15	\$0.15
31 - 40	\$0.19	\$0.19
41 - 55	\$0.19	\$0.19
56 - 70	\$0.21	\$0.21
71 +	\$0.21	\$0.21

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T.R.A. Tariff No. 1
Section 10- Original Title Page

MISCELLANEOUS SERVICES

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MISCELLANEOUS SERVICES

10.11 Operator Services

10.1.1 Description

Operator Handled Calling Services are provided to Customers and Users of Company-provided Exchange Access Services, and to Customers and Users of exchange access lines.

10.1.2 Definitions

Person--Person: Calls completed with the assistance of a Company operator to a particular person, station, department, or PBX extension specified by the calling party. Charges may be billed to the Customer's commercial credit card and/or LEC calling card, calling station, called station, or a designated third-party station. Calls may be dialed with or without the assistance of a Company operator.

Station-to-Station: Refers to calls other than person-to-person calls billed to either the end user's commercial credit card and/or nonproprietary calling card. Calls may be dialed with or without the assistance of a Company operator. Collect calls to coin telephones and transfers of charges to third telephones which are coin telephones will not be accepted.

Operator Dialed Charge: The end user places the call without dialing the destination number, although the capability to do it himself exists. The end user will dial "0" for local calls and "00" for long distance calls and then request the operator to dial the called station.

Billed to Non-Proprietary Calling Card: Refers to calls that are dialed by the customer in accordance with standard dialing instructions and billed to a non-proprietary calling card issued by another carrier.

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MISCELLANEOUS SERVICES (Cont'd.)**10.1 Operator Services** (Cont'd.)**10.1.3 Rates**

Local exchange and IntraLATA calls may be placed on an Operator Assisted basis. Usage charges for Operator Assisted calls are the same as those set forth in Sections 8 and 9, preceding. For Operator Assisted calls to Busy Line Verification and Interrupt, or Directory Assistance, the surcharges specified in Section 10.2.3 and Section 10.1.3 will apply in addition to any applicable Operator charges.

In addition to the usage charges identified above, the following operator-assisted charges will apply:

<u>Per Call Charges</u>	<u>IntraLATA</u>	<u>InterLATA</u>
Person-to-Person (Operator Assisted)	\$2.00	\$2.00
Station-to-Station (Operator Assisted)	\$1.00	\$1.00
Operator Dialed Charge (applies in addition to other operator charges)	N/A	N/A
Billed to Non-Proprietary Calling Card (additional surcharge)	\$0.50	\$0.50
Directory Assistance	\$0.30	\$0.30
Directory Assistance Call Completion	\$0.45	\$0.45

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MISCELLANEOUS SERVICES (Cont'd.)

10.2 Busy Line Verify and Line Interrupt Service

10.2.1 Description

Upon request of a calling party the Company will verify a busy condition on a called line.

- (A) The operator will determine if the line is clear or in use and report to the calling party.
- (B) The operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.

10.2.2 Regulations

- (A) A charge will apply when:
 - (1) The operator verifies that the line is busy with a call in progress.
 - (2) The operator verifies that the line is available for incoming calls.
 - (3) The operator verifies that the called number is busy with a call in progress and the customer requests interruption. The operator will then interrupt the call, advising the called party the name of the calling party. One charge will apply for both verification and interruption.

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MISCELLANEOUS SERVICES (Cont'd.)

10.2 Busy Line Verify and Line Interrupt Service (Cont'd.)

10.2.2 Regulations (Cont'd.)

- (B) No charge will apply:
 - (1) When the calling party advises that the call is to or from an official public emergency agency.
 - (2) Under conditions other than those specified in 10.2.2(A) preceding.
- (C) Busy Verification and Interrupt Service is furnished where and to the extent that facilities permit.
- (D) The Customer shall identify and hold the Company harmless against all claims that may arise from either party to the interrupted call or any person.

10.2.3 Rates

Busy Line Verify Service (each request)	\$0.95
Busy Line Verify and Busy Line Interrupt Service (each request)	\$1.40

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MISCELLANEOUS SERVICES (Cont'd.)**10.3 Service Implementation****10.3.1 Description**

Absent a promotional offering, service implementation charges will apply to new service orders or to orders to change existing service.

10.3.2 Rates**Non-Recurring**

per service order \$58.50

10.4 Restoration of Service**10.4.1 Description**

A restoration charge applies to the re-establishment of service and facilities suspended because of nonpayment of bills and is payable at the time that the re-establishment of the service and facilities suspended is arranged for. The restoration charge does not apply when, after disconnection of service, service is later re-established.

10.4.2 Rates**Non-Recurring**

per occasion \$58.50

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T.R.A. Tariff No. 1
Section 11 - Original Title Page

SPECIAL ARRANGEMENTS

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SPECIAL ARRANGEMENTS

11.1 Special Construction

11.1.1 Basis for Charges

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include:

- (A) non-recurring type charges;
- (B) recurring type charges;
- (C) termination liabilities; or
- (D) combinations thereof.

11.1.2 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the customer.

- (A) The termination liability period is the estimated service life of the facilities provided.
- (B) The amount of the maximum termination liability is equal to the estimated amounts for:

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SPECIAL ARRANGEMENTS (Cont'd.)

11.1 Special Construction (Cont'd.)

11.1.2 Termination Liability (Cont'd.)

(B) (Cont'd.)

- (1) Cost installed of the facilities provided including estimated costs for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:
 - (a) equipment and materials provided or used,
 - (b) engineering, labor and supervision,
 - (c) transportation, and
 - (d) rights-of-way;
- (2) license preparation, processing, and related fees;
- (3) tariff preparation, processing, and related fees;
- (4) cost of removal and restoration, where appropriate; and
- (5) any other identifiable costs related to the specially constructed or rearranged facilities.

- (C) The applicable termination liability method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined as set forth in Section 11.1.2(B) preceding by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in section 11.1.2(B) preceding shall be adjusted to reflect the redetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

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SPECIAL ARRANGEMENTS (Cont'd.)

11.2 Individual Case Basis (ICB) Arrangements

Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive requests may be different than those specified for such services in this tariff. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis.

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SPECIAL ARRANGEMENTS (Cont'd.)

11.3 Temporary Promotional Programs

The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customers.

260280.2

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COMMUNICATIONS SERVICES

TITLE SHEET

INTEREXCHANGE TELECOMMUNICATIONS TARIFF

OF KMC TELECOM II, INC.

This tariff contains the rates, rules, and regulations governing intrastate interexchange telecommunication services within the State of Tennessee provided by KMC Telecom II, Inc. with principal offices at 1545 Route 206, Bedminster, New Jersey 07921-2567.

ILLUSTRATIVE

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COMMUNICATIONS SERVICES

CHECK SHEET

The Sheets 1 to 57 are effective as of the date shown. Revised pages as named below contain all changes from the original tariff that are in effect on the date thereof.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	21	Original	42	Original
2	Original	22	Original	43	Original
3	Original	23	Original	44	Original
4	Original	25	Original	44	Original
5	Original	26	Original	45	Original
6	Original	27	Original	46	Original
7	Original	28	Original	47	Original
8	Original	29	Original	48	Original
9	Original	30	Original	49	Original
10	Original	31	Original	50	Original
11	Original	32	Original	51	Original
12	Original	33	Original	52	Original
13	Original	34	Original	53	Original
14	Original	35	Original	54	Original
15	Original	36	Original	55	Original
16	Original	37	Original	56	Original
17	Original	38	Original	57	Original
18	Original	39	Original		
19	Original	40	Original		
20	Original	41	Original		

* New or revised

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COMMUNICATIONS SERVICES

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COMMUNICATIONS SERVICES

EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

- | | |
|---|--|
| D | Delete or Discontinue |
| I | Change Resulting In An Increase To A Customer's Bill |
| M | Moved from Another Tariff Location |
| N | New |
| R | Change Resulting In A Reduction To A Customer's Bill |
| T | Change In Text or Regulation But No Change In Rate or Charge |

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COMMUNICATIONS SERVICES

TARIFF FORMAT

- (A) Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- (B) Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the MPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the MPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

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TARIFF FORMAT (Cont'd.)

- (C) Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).I.
 - 2.1.1.A.1.(a).I.(i).
 - 2.1.1.A.1.(a).I.(i).(1).
- (D) Check Sheets - When a tariff filing is made with the MPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the MPSC.

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COMMUNICATIONS SERVICES

Section 1--TECHNICAL TERMS AND ABBREVIATIONS

Certain terms used generally throughout this tariff are described below.

Advance Payment: Part or all of a payment required before the start of service.

Communications Services: The Company's intrastate telephone services offered pursuant to this tariff.

Company: KMC Telecom II, Inc., the issuer of this tariff.

Customer or Aggregator: The person, firm, or corporation which orders service for the Company's communications services and is responsible for the payment of charges and compliance with the Company's regulations.

Dedicated Inbound Calls: Refers to calls that are terminated via dedicated access facilities connecting the Customer's premises and the Company's Point of Presence (POP). This service is offered to the extent facilities are available and where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

Dedicated Outbound Calls: Refers to service that is offered to the extent facilities are available in those cases where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

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COMMUNICATIONS SERVICES

Section 1--TECHNICAL TERMS AND ABBREVIATIONS (Cont'd.)

Joint User: A person, firm or corporation which is designated by the Customer as a user of services furnished to the Customer by the Company, and to whom a portion of the charges for service will be billed under a joint user arrangement as specified herein.

LATA: A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

Service Commencement Date: The first date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and the Customer may mutually agree on a substitute Service Commencement Date.

Service Order: The written request for communications services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

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COMMUNICATIONS SERVICES

Section 1--TECHNICAL TERMS AND ABBREVIATIONS (Cont'd.)

Shared: A facility or equipment system or subsystem that can be used simultaneously by several Customers.

Shared Inbound Calls: Refers to calls that are terminated via the Customer's LEC-provided local exchange access line.

Shared Outbound Calls: Refers to calls in Feature Group D exchanges whereby the Customer's local telephone lines are presubscribed by the local exchange company to the Company's outbound service such that "1 + 10-digit number" calls are automatically routed to the Company's network. Calls to stations within the Customers LATA may be placed by dialing " 10 + NXX" or "101XXXX" + 10-digit number.

User: A Customer, Joint User, or any other person authorized by the Customer to use service provided under this tariff.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS**2.1 Undertaking of the Company****2.1.1 Application**

- (A) This tariff applies to intrastate interexchange communications services furnished by KMC Telecom II, Inc. to business customers within the State of Tennessee in accordance with the conditions set forth below. This tariff applies only for the use of the Company's services for communications between and among points within the State of Tennessee. These services may be provided in conjunction with the Company's interstate telecommunications services which are provided under the Company's Federal tariff.
- (B) Services offered under this tariff are not offered for the purpose of completing calls between two points within the same local calling area or metropolitan exchange area, as defined in the tariffs of the Local Exchange Telecommunications Company or Companies serving those points.
- (C) Presubscribed services are provided from all converted equal access end offices within the State of Tennessee where the Company has a point of presence (POP) within the LATAs. Other products will be provided in areas as specified for each product in Section 4 of this tariff.
- (D) The operator services are furnished to authorized users of the Company's LDS service and to users accessing public telephones presubscribed to the Company and to patrons, patients, students, and other authorized users of the station telephone or other facilities of privately owned coin operated telephone station providers, hotels, motels, hospitals, airports, colleges, universities, and other customers.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.2 Scope

The Company undertakes to furnish communications services in accordance with the terms and conditions set forth in this tariff.

2.1.3 Shortage of Facilities

All service is subject to the availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue furnishing services when necessary because of the lack of transmission medium capacity or because of any causes beyond its control.

2.1.4 Terms and Conditions

- (A) Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.
- (B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Customer will also be required to execute any other documents as may be reasonably requested by the Company.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.4 Terms and Conditions (Cont'd.)

- (C) At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month-to-month basis at the current rates unless terminated by either party upon 5 working days verbal or written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.
- (D) In any action between the parties to enforce any provision of this tariff, the prevailing party shall be entitled to recover its legal fees and court costs from the non-prevailing party in addition to other relief a court may award.
- (E) This tariff shall be interpreted and governed by the laws of the State of Tennessee without regard for its choice of laws provision.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)**2.1 Undertaking of the Company (Cont'd.)****2.1.5 Liability of the Company**

- (A) Except as otherwise stated in this Tariff, the liability of the Company for damages arising out of the furnishing of its Services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, or use of these services or arising out of the failure to furnish the service, whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in Section 2.8. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to the Customer as a result of any Company service, equipment or facilities, or any acts or omissions or negligence of the Company's employees or agents.
- (B) The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.5 Liability of the Company (Cont'd.)

- (C) The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for interconnection with Network Services; or (b) for the acts or omissions of common carriers or warehousemen.
- (D) The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of equipment or facilities provided by the Customer or third parties.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)**2.1 Undertaking of the Company (Cont'd.)****2.1.5 Liability of the Company (Cont'd.)**

- (E) The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this Section 2.1.5(E) as a condition precedent to such installations.
- (F) The Company is not liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement or damage is caused by gross negligence or willful misconduct of the Company's agents or employees.
- (G) The Company shall be indemnified, defended and held harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to claims for libel, slander, invasion of privacy or infringement of copyright in connection with the material transmitted over the Company's facilities; and any other claim resulting from any act or omission of the Customer or patron(S) of the Customer relating to the use of the Company's facilities.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.5 Liability of the Company (Cont'd.)

- (H) The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid the Company by the Customer for the specific services in the month in which the event giving rise to the liability occurred. No action or proceeding against the Company shall be commenced more than one year after the event giving rise to the liability occurred.
- (I) THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.
- (J) The Company shall indemnify, defend, and hold harmless the Customer from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for any injury to persons or property, and any interruption of, interference to, or other defect in any service provided by the Company to any third party, if such injury, interruption, interference, or other defect was not caused by any negligent or intentional act or omission of the Customer or any of its officers, employees, agents, invitees, or contractors.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.1 Undertaking of the Company (Cont'd.)

2.1.6 Provision of Equipment and Facilities

- (A) Except as otherwise indicated, customer-provided station equipment at the Customer's premises for use in conjunction with this service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.
- (B) The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment. Where such equipment is connected to service furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of services under this tariff and to the maintenance and operation of such services in the proper manner. Subject to this responsibility, the Company shall not be responsible for:
 - (1) the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or
 - (2) the reception of signals by Customer-provided equipment; or
 - (3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2.1.7 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its agents, contractors or suppliers.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.2 Prohibited Uses

- (A) The services the Company offers shall not be used for any unlawful purpose or for any use for which the Customer has not obtained all required governmental approvals, authorization, licenses, consents and permits.
- (B) The Company may require applicants for service who intend to use the Company's offering for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and regulations, policies, orders, and decisions.
- (C) The Company may require a Customer to immediately shut down its transmission if such transmission is causing interference to others.
- (D) A Customer, Joint User, or authorized User may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.3 Obligations of the Customer

2.3.1 Customer Premises Provisions

- (A) The Customer shall provide the personnel, power and space required to operate all facilities and associated equipment installed on the premises of the Customer.
- (B) The Customer shall be responsible for providing Company personnel access to premises of the Customer at any reasonable hour for the purpose of testing the facilities or equipment of the Company.

2.3.2 Liability of the Customer

- (A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invitees, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.
- (B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, (2) the death of or injury to persons, including, but not limited to, employees or invitees of either party, and (3) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.3 Obligations of the Customer

2.3.2 Liability of the Customer

- C) The Customer shall not assert any claim against any other customer or user of the Company's services for damages resulting in whole or in part from or arising in connection with the furnishing of service under this Tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent or intentional act or omission of the other customer or user and not by any act or omission of the Company. Nothing in this Tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.4 Customer Equipment and Channels

2.4.1 Interconnection of Facilities

- (A) Interconnection between Customer-provided and Company-provided service must be made by the Customer's purchase of dedicated access lines or through the use of LEC-provided switched access service.
- (B) In order to protect the Company's facilities and personnel and the services furnished to other customers by the Company from potentially harmful effects, the signals applied to the Company's service shall be such as not to cause damage to the facilities of the Company. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of others shall be provided at the Customer's expense.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.2 Inspections

- (A) The Company may, upon notification to the Customer, at a reasonable time, make such tests and inspections as may be necessary to determine that the requirements regarding the equipment and interconnections are being complied with the installation, operation and maintenance of Customer-provided equipment and in the wiring of the connection of Customer channels to Company-owned facilities.
- (B) If the protective requirements in connections with Customer-provided equipment are not being complied with, the Company may take such action as necessary to protect its facilities and personnel and will promptly notify the Customer by registered mail in writing of the need for protective action. In the event that the Customer fails to advise the Company within 10 days after such notice is received or within the time specified in the notice that corrective action has been taken, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities and personnel from harm. The Company will upon request 24 hours in advance provide Customer with a statement of technical parameters that the Customer's equipment must meet.

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Section 2--RULES AND REGULATIONS (Cont'd.)**2.5 Advance Payments**

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished. The advance payment will not exceed an amount up to one month of estimated monthly usage charges. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill.

2.6 Customer Deposits

The company will not request customer deposits.

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Section 2--RULES AND REGULATIONS (Cont'd.)

2.7 Payment Arrangements

2.7.1 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

(A) Taxes

The Customer is responsible for payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however, designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services. All taxes are listed as separate items and are not included in the quoted rates.

2.7.2 Billing and Collection of Charges

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.

- (A) Non-recurring charges are due and payable within 30 days after the date of the invoice.
- (B) The Company shall present invoices for Recurring Charges monthly to the Customer, in advance of the month in which service is provided, and Recurring Charges shall be due and payable within 30 days after the date of the invoice. When billing is based upon customer usage, usage charges will be billed monthly for the preceding billing period.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.7 Payment Arrangements (Cont'd.)2.7.2 Billing and Collection of Charges (Cont'd.)

- (C) When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rate basis. For this purpose, every month is considered to have 30 days.
- (D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- (E) If any portion of the payment is received by the Company after the date due, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of:
 - (1) a rate of 1.5 percent per month; or
 - (2) the highest interest rate which may be applied under state law for commercial transactions.
- (F) The Customer will be assessed a charge of twenty-five dollars (\$25.00) for each check submitted by the Customer to the Company which a financial institution refuses to honor.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.7 Payment Arrangements (Cont'd.)2.7.2 Billing and Collection of Charges (Cont'd.)

- (G) Customers have up to 90 days (commencing 5 days after remittance of the bill) to initiate a dispute over charges or to receive credits.
- (H) If service is disconnected by the Company in accordance with section 2.7.3 following and later restored, restoration of service will be subject to all applicable installation charges.

2.7.3 Discontinuance of Service for Cause

- (A) Upon nonpayment of any amounts owing to the Company, the Company may, by giving 5 working days prior written notice to the Customer, discontinue or suspend service without incurring any liability.
- (B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 5 working days prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.
- (C) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.7 Payment Arrangements (Cont'd.)2.7.3 Discontinuance of Service for Cause (Cont'd.)

- (D) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service for nonpayment of regulated services after 5 days written notice without incurring any liability.
- (E) Upon any governmental prohibition or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.
- (F) In the event of fraudulent use of the Company's network, the Company may without notice suspend or discontinue service. The Customer will be liable for all related costs as set forth in Section 2.10 of this tariff. The Customer will also be responsible for payment of any reconnection charges.
- (G) Upon the Company's discontinuance of service to the Customer under Section 2.7.3(A) or 2.7.3(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

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Section 2--RULES AND REGULATIONS (Cont'd.)2.7 Payment Arrangements (Cont'd.)2.7.3 Discontinuance of Service for Cause (Cont'd.)

- (H) The Customer is responsible for providing adequate access lines to enable the Company to terminate all 800/888/8XX Service calls to the Customer's telephone equipment. Should the Customer have insufficient access lines on which to terminate 800/888/8XX Service calls, the Company reserves the right to request the Customer to add additional lines for call terminations. If, after 90 days, the Customer has not made the requested change, the Company, without incurring any liability, reserves the right to terminate the Customer's 800/888/8XX Service, with 30 days written notice.

2.7.4 Notice to Company for Cancellation of Service

Customers desiring to terminate service shall provide Company verbal or written notice of desire to terminate service. Customers are still responsible for charges incurred up until the point of termination.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.8 Allowances for Interruptions in Service

Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.8.1 for the part of the service that the interruption affects.

2.8.1 Credit for Interruptions

- (A) A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.
- (B) For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.8 Allowances for Interruptions in Service (Cont'd.)2.8.1 Credit for Interruptions (Cont'd.)

- (C) A credit allowance will be given for interruptions of 15 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

<u>Length of Interruption</u>	<u>Interruption Period To Be Credited</u>
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

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Section 2--RULES AND REGULATIONS (Cont'd.)2.8 Allowances for Interruptions in Service (Cont'd.)2.8.1 Credit for Interruptions (Cont'd.)

(C) (Cont'd.)

Interruptions Over 24 Hours and Less Than 72 Hours. Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than 30 days credit will be allowed for any one month period.

2.8.2 Limitations on Allowances

No credit allowance will be made for interruptions of service:

- (A) due to the negligence of, or noncompliance with the provisions of this tariff or contract by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;
- (B) due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- (C) due to the failure or malfunction of non-Company equipment;
- (D) during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

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Section 2--RULES AND REGULATIONS (Cont'd.)**2.8 Allowances for Interruptions in Service (Cont'd.)****2.8.2 Limitations on Allowances (Cont'd.)**

- (E) during a period in which the Customer continues to use the service on an impaired basis;
- (F) during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (G) due to circumstances or causes beyond the control of Company; and
- (H) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.

2.8.3 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equaling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

2.9 Cancellation of Service/Termination Liability

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in Section 2.8.1), Customer agrees to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2.7.2.

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Section 2--RULES AND REGULATIONS (Cont'd.)**2.10 Customer Liability for Unauthorized Use of the Network****2.10.1 Unauthorized Use of the Network**

Unauthorized use of the Network occurs when a person or entity that does not have actual, apparent, or implied authority to use the Network, obtains the Company's services provided under this tariff.

2.10.2 Liability for Calling Card Fraud

- (A) The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a Company calling card, provided that the unauthorized use occurs before the Company has been notified.
- (B) A Company calling card is a telephone calling card issued by the Company at the Customer's request, which enables the Customer or user(s) authorized by the Customer to place calls over the Network and to have the charges for such calls billed to the Customer's account.
- (C) The Customer must give the Company written notice that an unauthorized use of the Company calling card has occurred or may occur as a result of loss, theft or other reasons.
- (D) The Customer is responsible for payment of all charges for services furnished to the Customer or to users authorized by the Customer to use service provided under this tariff. This responsibility is not changed due to any use, misuse, or abuse of the Customer's service or Customer-provided equipment by third parties, the Customer's employees, or the public.

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Section 2--RULES AND REGULATIONS (Cont'd.)**2.10 Customer Liability for Unauthorized Use of the Network (Cont'd.)****2.10.2 Liability for Calling Card Fraud (Cont'd.,)**

- (E) The Customer is liable for all charges incurred as a result of unauthorized use of the Network, including incidental and consequential damages. In addition, the Customer is responsible for payment of any charges related to the suspension and/or termination of service and any charges for reconnection of service.

2.10.3 Liability for Credit Card Fraud and Other Unauthorized Use

- (A) The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a credit card, provided: (1) the card is an accepted credit card, and (2) the unauthorized use occurs before the Company has been notified.

An accepted credit card is any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with this paragraph is an accepted credit card when received by the cardholder.

- (B) The liability of the Customer for unauthorized use of the Network by credit card fraud will not exceed the lesser of \$50 or the amount of money, property, labor, or services obtained by the unauthorized user before notification to the Company.
- (C) The Customer must give the Company written notice that an unauthorized use of the credit card has occurred.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)2.11 Special Conditions Governing Operator Services2.11.1 Obligations of the Company

In compliance with the Tennessee Public Service Commission rules and regulations, when providing operator services, the Company will:

- (A) Identify itself, audibly, and distinctly, to the customer at the beginning of each call before the customer incurs any charges and also a second time prior to connecting the call before the customer incurs any charges, otherwise referred to as double branding; and
- (B) Inform the customer, upon request, of the rates to be charged and explain the method of billing and collection used by the Company at no charge. In addition, explain the methods by which complaints concerning rates, charges, or collection practices will be resolved; and
- (C) Permit the customer to terminate the call at no charge before the call is connected; and
- (D) Not bill for unanswered or incomplete telephone calls; and
- (E) Not engage in call splashing (billing rates other than from the actual call origination) unless the customer requests to be transferred to another provider of operator services, the customer is informed prior to incurring any charges that the rates for the call may not reflect the rates from the actual originating location of the call, and the customer then consents to be transferred; and

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)

2.11 Special Conditions Governing Operator Services (Cont'd.)

2.11.1 Obligations of the Company (Cont'd.)

- (F) Withhold payment of any compensation to aggregators if the Company reasonably believes that the aggregator is engaging blocking 800/888/8XX, 950 or any other end user access to the end user's carrier of choice; and
- (G) Upon receipt of any emergency telephone call, the Company shall immediately connect the call to the appropriate emergency service of the reported locations of the emergency, if known, and, if not known, of the originating location of the call.
- (H) All 0- and 0+ IntraLATA calls are routed to the local exchange company.

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COMMUNICATIONS SERVICES

Section 2--RULES AND REGULATIONS (Cont'd.)2.11 Special Conditions Governing Operator Services (Cont'd.)2.11.2 Requirements of the Aggregator

- (A) The aggregator shall display plainly on or in close proximity to all telephones printed documentation (tent cards) notifying the end user of the following:
 - (1) The name, address and toll-free telephone number of the company providing the operator services;
 - (2) Operator service provider intralata and interlata rates or how to obtain these rates (collect, credit card, person-to-person, etc.).
 - (3) A written disclosure that informs the end users that they have a right to obtain access to the carrier of their choice, and that they may contact their preferred carrier for information on accessing that carrier's service using that station telephone.
 - (4) Intralata and interlata dialing instructions.
 - (5) Hotel surcharge for local and long distance calls, if any.
- (B) An aggregator shall not charge higher rates for calls accessing the operator service provider via 800/888/8XX, 950, or 1010XXX access numbers than those rates charged for calls using the presubscribed operator services provider.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE**3.1 Rates Charged Based on Timing of Calls**

Where charges for service are specified based on the timing of calls, such as the duration of a telephone call, the following rules apply:

3.1.1 When Billing Charges Begin and Terminate For Phone Calls.

The Customer's long distance usage charge is based on the actual usage of the Company's network. Usage begins when the called party picks up the receiver, (i.e. when 2 way communication, often referred to as "conversation time," is possible). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

3.1.2 Billing Increments

Unless otherwise specified in this tariff, the minimum call duration for billing purposes is 1 minute for a connected call. Calls beyond 1 minute are billed in 1 minute increments.

3.1.3 Per Call Billing Charges

Billing will be rounded up to the nearest penny for each call.

3.1.4 Uncompleted Calls

There shall be no charges for uncompleted calls.

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Section 3--DESCRIPTION OF SERVICE (Cont'd.)**3.2 Rates Based Upon Calculation of Distance**

Where the charges for service are specified based upon distance, the following rules apply:

3.2.1 Distance between two points is measured as airline distance between the Rate Centers of the originating and terminating telephone lines. The Rate Center is set of geographic coordinated. as referenced in National Exchange Carrier Association, Inc. Tariff FCC No. 4, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where their is no telephone number associated with an access line on the Company's network (such as dedicated 800 or WATS access line), the Company will apply the Rate Center of the Customer's main billing telephone number.

3.2.2 The airline distance between any two Rate Centers is determined as follows:

- (A) Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced NECA tariff.
- (B) Compute the difference between the "V" coordinates of the two rate centers; and the difference between the two "H" coordinates.
- (C) Square each difference obtained in step (B) above.

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Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.2 Application of Rates (Cont'd.)3.2.2 Rates Based Upon Calculation of Distance (Cont'd.)

- (D) Add the square of the "V" difference and the square of the "H" difference obtained in step (C).
- (E) Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.
- (F) Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

(G) Formula =
$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

3.3 Minimum Call Completion Rate

A Customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 99.5% during peak use periods for the Company services.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings3.4.1 KMC Long Distance Service (LDS)A) Description

KMC Long Distance Service (LDS) is a communications service which is available for use by Customers twenty-four (24) hours a day. Customers may originate LDS from locations served by the Company, and may terminate in all locations within the State of Tennessee. Operator, KMC Calling Card, and Directory Assistance services are available to Customers of the Company's LDS service subject to the provisions of Sections 3.4.3 and 4.3 of this tariff.

LDS calls will be billed in 6 second increments with an initial billing period of 6 seconds.

The service is offered in two variations depending upon the method the Customer employs to gain access to the Company's network for use of the service:

Switched LDS is offered in Feature Group D (FGD) exchanges where the Customer's local telephone lines are presubscribed by the local exchange company to the Company's LDS service, such that "1+" interLATA calls are automatically routed to the Company's network.

Dedicated LDS is offered to the extent facilities are available in those cases where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.1 KMC Long Distance Service (LDS) (Cont'd.)B) Commitment Levels and Term Plans

LDS is available on a month to month basis or on an optional 1, 2, or 3 year term plan. Discounts off the base rates are available to the Customer according to the commitment level and term plan selected by the Customer. The commitment level is calculated from the monthly total usage generated from the following Company products: shared and dedicated domestic and interstate and intrastate outbound and inbound service, intraLATA, and calling card. Charges such as taxes, late payment fees or other service non-recurring and monthly recurring charges will not be included in the total usage amount calculation, as well as usage charges from Directory Assistance and Operator Service.

Should the Customer's actual usage fall below the monthly minimum usage commitment, the Customer is required to pay the Company a fee equal to the difference between the Customer's discounted rate and the higher rate associated with the lower volume.

A Customer who terminates a term plan in the 1st year prior to the term's expiration will be required to pay in one lump sum an amount equaling the selected monthly commitment level times the number of months remaining in the term, plus an amount equal to any promotional credit, or discount, or waiver, if applicable, that was provided to the Customer.

A Customer who terminates a term plan in the 2nd or 3rd year prior to the term's expiration will be required to pay 35% an amount equaling the selected monthly commitment level times the number of months remaining in the term, plus an amount equal to any promotional credit, or discount, or waiver, if applicable, that was provided to the Customer.

C) Discounts

The following discounts on per minute base rates for qualifying usage are based on the monthly commitment level and term plan selected by the Customer.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.2 KMC Toll Free ServiceA) Description

KMC Toll Free Service is an inbound communications service which permits calls to be completed at the Customer's location without charge to the calling party. Access to the service is gained by dialing a ten (10) digit telephone number (888+ NXX-XXXX) which will terminate at the Customer's location. Calls may originate from any location within the State of Tennessee and may terminate at the Customer's location.

Toll Free Service will be billed per call based on the duration of the call. Each call will be billed in 6 second increments with an initial billing period of 18 seconds. Usage discounts apply to aggregate monthly interstate and intrastate usage.

Toll Free Service is offered in two variations depending upon the method the Customer employs to access the Company's network for use of the service:

Switched Toll Free service calls are originated via normal shared use facilities and are terminated via the Customer's local exchange service access line.

Dedicated Toll Free service calls are originated via normal shared use facilities and are terminated via dedicated access facilities connecting the Customer's premises and the Company's POP. This service is offered to the extent facilities are available and where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings3.4.2 KMC Toll Free Service (Cont'd.)B) Commitment Levels and Term Plans

Toll Free is available on a month to month basis or on an optional 1, 2, or 3 year term plan. Discounts off the base rates are available to the Customer according to the commitment level and term plan selected by the Customer. The commitment level is calculated from the monthly total usage generated from the following Company products: shared and dedicated domestic and interstate and intrastate outbound and inbound service, intraLATA, and calling card. Charges such as taxes, late payment fees or other service non-recurring and monthly recurring charges will not be included in the total usage amount calculation, as well as usage charges from Directory Assistance and Operator Service.

Should the Customer's actual usage fall below the monthly minimum usage commitment, the Customer is required to pay the Company a fee equal to the difference between the Customer's discounted rate and the higher rate associated with the lower volume.

A Customer who terminates a term plan in the 1st year prior to the term's expiration will be required to pay in one lump sum an amount equaling the selected monthly commitment level times the number of months remaining in the term, plus an amount equal to any promotional credit, or discount, or waiver, if applicable, that was provided to the Customer.

A Customer who terminates a term plan in the 2nd or 3rd year prior to the term's expiration will be required to pay 35% an amount equaling the selected monthly commitment level times the number of months remaining in the term, plus an amount equal to any promotional credit, or discount, or waiver, if applicable, that was provided to the Customer.

C) Discounts

The following discounts on per minute base rates for qualifying usage are based on the monthly commitment level and term plan selected by the Customer.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services(A) Operator Service

Operator Service is available to users of the Company's LDS service and to users accessing presubscribed public payphones or customer provided stations for operator-assisted calls. In addition to usage charges, each operator call will be assessed a charge(s) as set forth in Section 4.3.1 of this tariff. The methods available to the Customer for accessing the Company's operator depends upon the type of LDS:

Presubscribed LDS users and presubscribed public payphones or customer provided stations may dial "00"; or dial "0+ the called interLATA telephone number (NPA+NXX-XXXX)" for long distance calling assistance from the equal access (FGD) areas.

Dedicated LDS users may dial "00" or "0+".

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services (Cont'd.)(A) Operator Service (Cont'd.)Time Periods

Day, Evening, Night, and Weekend rates apply as follows:

<u>Time Applicable</u>			
<u>Rates</u>	<u>From</u>	<u>To But Not Including</u>	<u>Days Applicable</u>
Day*	8:00 A.M.	5:00 P.M.	Mon. - Fri.
Evening	5:00 P.M.	11:00 P.M.	Sun. - Fri.
Night	11:00 P.M.	8:00 A.M.	Every day
Weekend	8:00 A.M.	11:00 P.M.	Saturday
Weekend	8:00 A.M.	5:00 P.M.	Sunday

*Rates Applicable on Certain Holidays:

Holidays include: New Year's Day (January 1), Independence Day (July 4), Labor Day (the first Monday in September), Thanksgiving Day (the fourth Thursday in November), and Christmas Day (December 25).

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services (Cont'd.)(B) KMC Telecom II, Inc. Calling Card Service

KMC Telecom II, Inc. Calling Card Service is provided to Customers for use when away from their established service location. Access to the service is gained by dialing a Company designated 800/888/8XX access number (8XX-NXX-XXXX), plus the Customer's/ User's KMC Telecom II, Inc. Calling Card authorization number and the called telephone number.

The KMC Telecom II, Inc. Calling Card can also be used to place operator-assisted and directory assistance calls, subject to the application of additional charges.

Beyond these standard features, the KMC Telecom II, Inc. Calling card includes the following enhanced features: conference calling, KMC Telecom II, Inc. Voice Mail access, voice messaging, news and information access and speed dialing. Use of these enhanced features is subject to separate charges. KMC Telecom II, Inc. Calling Card calls are billed in full minute increments, with a one minute minimum. This service is offered with Peak and Off-Peak pricing. A description of the additional features are as follows.

(1) Operator-Assisted Calls

The KMC Telecom II, Inc. Calling Card can be used to place KMC operator-assisted calls. Surcharges apply per call, in addition to the standard usage charges.

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Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services (Cont'd.)(B) KMC Telecom II, Inc. Calling Card Service (Cont'd.)(2) Directory Assistance Calls

The KMC Telecom II, Inc. Calling Card can be used to place calls for Directory Assistance. A flat charge will apply per requested number (Requested Number Charge). At the Customer's option, the Company will automatically place a call to the requested number. For calls completed in this manner, a Call Completion Charge and the Standard Usage Charges will apply in addition to the Requested Number Charge.

(3) Enhanced Features Charges

Enhanced features are available for use as described below. Enhanced features charges apply in lieu of standard usage charges. Usage charges are billed in six second increments with a one minute minimum.

(a) Conference Calling

Allows the User to establish a conference call by accessing the conference operator. Charges apply per established line and per minute of usage.

(b) Voice Mail Access

Allows the User to access KMC Telecom II, Inc. Voice Mail and to place return calls without having to hang-up and initiate a new calling card call.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)
3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services (Cont'd.)(B) KMC Telecom II, Inc. Calling Card Service (Cont'd.)(3) Enhanced Features Charges (Cont'd.)(c) Voice Messaging

Allows the User to leave up to a three minute voice recorded message that is stored for future delivery when the called number is busy or no answer.

(d) News and Information

Provides access to news, weather, sports, financial information and other features.

(e) Speed Dialing

Allows the User to access Speed Dialing by programming and storing up to nine frequently dialed numbers.

(4) Rate Periods

Peak and Off-Peak rate periods are as follows:

<u>Non-Holiday</u>		<u>To But Not</u>	
<u>Rate Periods</u>	<u>From</u>	<u>Including</u>	<u>Days</u>
Peak	8:00 a.m.	5:00 p.m.	Mon-Fri
Off-Peak	5:00 p.m.	8:00 a.m.	Mon-Fri
	8:00 a.m.	8:00 a.m.	Sat-Sun
	8:00 a.m.	8:00 a.m.	Holidays

Holidays: On Christmas Day (Dec. 25), New Years Day (Jan. 1), Memorial Day, Independence Day (July 4), Labor Day (first Monday in Sept.) and Thanksgiving Day (fourth Thursday in Nov.) the Off-Peak Period rate applies unless a lower rate would normally apply.

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.3 Miscellaneous Services (Cont'd.)(C) Bill-to-Calling Card (BCC) Service

Bill-to-Calling Card Service allows users of touch-tone telephones connected to the Company's LDS services to charge calls to their local exchange company (LEC) calling card. In addition to standard LDS, the BCC charge, as set forth in 4.3.3 applies when users complete calls by entering both the called number and their LEC calling card number without the assistance of an operator; in addition, Operator charges will apply as set forth in 4.3.1, if operator assistance is required. For BCC calls to Directory Assistance, the appropriate charges set forth in 4.3.4 will apply in addition. The Company accepts only LEC calling cards which it can identify as valid. Charges for BCC calls will appear on the user's LEC bill.

(D) Directory Assistance (DA)

Company will connect LDS Service Customers to Directory Assistance (DA) for a fee as set forth in Section 4.3.4. A credit allowance for DA will be provided upon request if the Customer experiences poor transmission quality, is cut-off, receives an incorrect telephone number, or misdials the intended DA number (NPA+ 555-1212).

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COMMUNICATIONS SERVICES

Section 3--DESCRIPTION OF SERVICE (Cont'd.)3.4 Service Offerings (Cont'd.)3.4.4 Special Promotions

The Company may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing subscribers awareness of a particular tariff offering. These promotions will be approved by the Tennessee Public Service Commission with specific starting and ending dates, times, and/or locations and under no circumstances run for longer than 90 days in any 12 month period.

3.4.5 Special Service Arrangements

Customer-specific service arrangements, which may include engineering, installation, construction, facilities, assembly and/or other special services, may be furnished in addition to existing tariff offerings. Rates, terms, and conditions plus any additional regulations, if applicable for the special service arrangements will be developed upon the customer's request. Unless otherwise specified, the regulations for the special service arrangements are in addition to the applicable regulations specified in other sections of this tariff. The necessary tariff revisions will be filed to reflect the special service arrangements.

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COMMUNICATIONS SERVICES

Section 4 -- RATES4.1 KMC Long Distance Service (LDS)Outbound Switched LDS

<u>Usage per Month</u>	<u>Month to month</u>	<u>1 Years</u>	<u>2 Years</u>	<u>3 Years</u>
\$ 0-499.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 500.00-1,499.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 1,500.00-2,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 3,000.00-9,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$10,000.00-19,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 20,000 +	ICB	ICB	ICB	ICB

Outbound Dedicated LDS

<u>Usage per Month</u>	<u>Month to month</u>	<u>1 Years</u>	<u>2 Years</u>	<u>3 Years</u>
\$ 1,500.00-4,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 5,000.00-16,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 17,000 +	ICB	ICB	ICB	ICB

* - Indicates a dedicated T-1 is available. An additional monthly recurring local loop charge plus a \$250.00 T-1 charge will apply.

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COMMUNICATIONS SERVICES

Section 4 -- RATES (Cont'd.)4.2 KMC Toll Free ServiceInbound Switched Toll Free

<u>Usage per Month</u>	<u>Month to month</u>	<u>1 Years</u>	<u>2 Years</u>	<u>3 Years</u>
\$ 0-499.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 500.00-1,499.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 1,500.00-2,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 3,000.00-9,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$10,000.00-19,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 20,000 +	ICB	ICB	ICB	ICB

Inbound Dedicated Toll Free

<u>Usage per Month</u>	<u>Month to month</u>	<u>1 Years</u>	<u>2 Years</u>	<u>3 Years</u>
\$ 1,500.00-4,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 5,000.00-16,999.99	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
\$ 17,000 +	ICB	ICB	ICB	ICB

4.2.1 Recurring and Non-Recurring Rates

	<u>Monthly Recurring</u>	<u>Non- Recurring</u>
Shared charge per 800 number	N/A	N/A
Dedicated charge per routing arrangement	N/A	N/A
Advanced features (per feature)		\$X.XX
1 routing feature	\$X.XX	N/A
3 routing features	\$X.XX	N/A
All routing features	\$X.XX	N/A

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COMMUNICATIONS SERVICES

Section 4 -- RATES (Cont'd.)4.3 Miscellaneous Services4.3.1 Operator Service

Per minute usage rates:

	<u>DAY</u>		<u>EVENING</u>		<u>NIGHT/WEEKEND</u>	
<u>Rate</u>	<u>Initial</u>	<u>Each</u>	<u>Initial</u>	<u>Each</u>	<u>Initial</u>	<u>Each</u>
<u>Mileage</u>	<u>Period</u>	<u>Add'l</u>	<u>Period</u>	<u>Add'l</u>	<u>Period</u>	<u>Add'l</u>
		<u>Minute</u>		<u>Minute</u>		<u>Minute</u>
1 - 10	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX	\$.XXXX
11 - 22	X.XXXX	X.XXXX	X.XXXX	X.XXXX.	X.XXXX	X.XXXX
23 - 55	X.XXXX	X.XXXX	X.XXXX	XXXX	X.XXXX	X.XXXX
56 - 124	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX
125-292	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX
293-430	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX
431-624	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX	X.XXXX

Per call rates:

(A)	Person-to-Person	\$ X.XX
(B)	Station-to-Station	\$ X.XX
(C)	Operator Dialed Charge	\$ X.XX
	(applies in addition to other operator charges)	
(D)	Partially Automated Surcharge	\$ X.XX
	(applies in addition to other operator charges)	
(E)	Busy Line Verification	\$ X.XX
(F)	Busy Line Interrupt	\$ X.XX

Issued: December 29, 1998

Effective:

By: Tricia Breckenridge
 Senior Vice President of Business Development
 KMC Telecom II, Inc.
 3075 Breckinridge Blvd., Suite 415
 Duluth, GA 30096

COMMUNICATIONS SERVICES

Section 4 -- RATES (Cont'd.)4.3 Miscellaneous Services (Cont'd.)4.3.2 KMC Telecom II, Inc. Calling Card Service

- | | | |
|----|---------------------------------------|--------|
| A) | <u>Standard Usage Charges</u> | |
| | -(per minute of use) | |
| 1) | Peak/Off-Peak Rate | \$X.XX |
| | <u>Surcharge</u> | |
| 2) | Per Call | \$X.XX |
| B) | <u>Operator-Assisted Calls</u> | |
| 1) | Person-to-Person surcharge | \$X.XX |
| 2) | Station-to-Station surcharge | \$X.XX |
| C) | <u>Directory Assistance Calls</u> | |
| 1) | Requested Number Charge | \$X.XX |
| 2) | Call Completion Charge (per minute) | \$X.XX |
| 3) | Long Distance Charge | \$X.XX |
| D) | <u>Enhanced Feature Charges</u> | |
| 1) | Conference Calling | |
| | per established line | \$X.XX |
| | per minute of usage per line (Day) | \$X.XX |
| | (Weekend) | \$X.XX |
| 2) | Voice Mail Access | |
| | per minute of usage | \$X.XX |
| 3) | Voice Messaging (per minute of usage) | |
| | 1 message | \$X.XX |
| | Up to 5 messages | \$X.XX |
| | Up to 10 messages | \$X.XX |
| | Up to 20 messages | \$X.XX |
| | Message status | NC |
| | per call | N/A |
| 4) | News and Information | |
| | per minute of usage | N/A |

4.3.3 BCC Service

BCC Charge	\$X.XX
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4.3.4 Directory Assistance

Per requested number	\$X.XX
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COMMUNICATIONS SERVICES

Section 4 -- RATES (Cont'd.)**4.4 Exemptions and Special Rates****4.4.1 Discounts for Hearing Impaired Customers**

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period. Discounts do not apply to surcharges or per call add on charges for operator service when the call is placed by a method that would normally incur the surcharge.

4.4.2 Operator Assistance for Handicapped Persons

Operator station surcharges will be waived for operator assistance provided to a caller who identified him or herself as being handicapped and unable to dial the call because of a handicap.

4.4.3 Directory Assistance for Handicapped Persons

There is no charge for Directory Assistance for the first 50 calls in a monthly billing period from handicapped persons. Such persons must contact the Company for credit on their directory assistance calls.

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COMMUNICATIONS SERVICES

Section 4 -- RATES (Cont'd.)4.4 Exemptions and Special Rates (Cont'd.)4.4.4 Discounts for Telecommunications Relay Service

For intrastate toll calls received from the telecommunications relay service, there will be a 50 percent discount off the applicable rate for a voice non relay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for a voice non relay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

256785.2

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Duluth, GA 30096

Exhibit 9

Sample Customer Bill

7, Exhibit 9

KMC Telecom
P. O. Box 105886
Atlanta, GA 30374-

KMC Telecom
For inquiries, call (888) KMC THE 1
(562-8431)

Business Management Inc.
ATTN: Bill Hitchcock
Accounts Payable
414 North Main
Cambridge, WI 53523
|||||

Invoice No: 980900000000489

Invoice Date: 09/20/98

Amount Due: \$587.65

Account: 608-227-0900-01-0000 Business Management Inc.

Notice: Local Optional Service and Measured Rate Service calls will be billed in arrears. A 1.5% Late Payment charge will be assessed on any balance not paid by the due date indicated below.

Business Management Inc.
ATTN: Bill Hitchcock
Accounts Payable
414 North Main
Cambridge, WI 53523

☐ If your name or address has changed,
please check here and indicate changes
on reverse.

Acct #: 608-227-0900-01-0000

Invoice No: 980900000000489

Invoice Date: 09/20/98

Total Due: \$587.65

Due By: 10/14/98

KMC Telecom
P. O. Box 105886
Atlanta, GA 30374-
|||||

Total Enclosed: _____

T-..... 11.25

Account #: 608-227-0900-01-0000

Invoice #: 980900000000489
Billing Period: 09/20/ - 10/19/98

Statement of Accounts

For billing inquiries, call 888-KMC-THE1

Account Balance Reconciliation

Previous Charges

Previous Balance	\$391.71
Payment - Thank You.	\$.00
Credits and Adjustments	\$.00
Unpaid Balance	\$391.71

Current Charges

Current Charges	\$195.94
Late Fee	\$.00
Total Current Charges	\$195.94

Total Due By 10/14/98

\$587.65

*A late fee of 1.5% will be applied to that portion of the balance remaining after the Payment Due Date

Charges Summary

For billing inquiries, call 888-KMC-THE1

Service Category	This Period
Lines Features and Circuits	
Monthly Charges	
9-1-1 Emergency System	1.50
Access Charge Per FCC Order-Mu	52.80
Flat Rate Line No Hunting	126.00
Monthly Charges Subtotal	\$180.30
Lines Features and Circuits Total	\$180.30
Miscellaneous Charges, Credits and Taxes	
Taxes and Surcharges	
WI State Tax on Monthly Amt	9.02
Dane Cnty Tax on Monthly Amts	0.91
Federal Tax on Monthly Amounts	5.71
Taxes and Surcharges Subtotal	\$15.64
Miscellaneous Charges, Credits and Taxes Total	\$15.64
Total Invoice Amount:	\$195.94

Monthly Charges

For billing inquiries, call 888-KMC-THE1

Telephone Related Charges**For Telephone 608-227-0900**

Description	Amount
1 9-1-1 Emergency System	0.15
1 Access Charge Per FCC Order-Mu	5.28
1 Flat Rate Line No Hunting	12.60

Total For Telephone 608-227-0900

18.03

For Telephone 608-227-0901

Description	Amount
1 9-1-1 Emergency System	0.15
1 Access Charge Per FCC Order-Mu	5.28
1 Flat Rate Line No Hunting	12.60

Total For Telephone 608-227-0901

18.03

For Telephone 608-227-0902

Description	Amount
1 9-1-1 Emergency System	0.15
1 Access Charge Per FCC Order-Mu	5.28
1 Flat Rate Line No Hunting	12.60

Total For Telephone 608-227-0902

18.03

For Telephone 608-227-0903

Description	Amount
1 9-1-1 Emergency System	0.15
1 Access Charge Per FCC Order-Mu	5.28
1 Flat Rate Line No Hunting	12.60

Total For Telephone 608-227-0903

18.03

For Telephone 608-227-0904

Description	Amount
1 9-1-1 Emergency System	0.15
1 Access Charge Per FCC Order-Mu	5.28
1 Flat Rate Line No Hunting	12.60

Total For Telephone 608-227-0904

18.03

For Telephone 608-227-0905

Description	Amount
1 9-1-1 Emergency System	0.15

Account #: 608-227-0900-01-0000

Invoice #: 9809000000000489

Billing Period: 09/20/ - 10/19/98

Miscellaneous Charges, Credits and Taxes

For billing inquiries, call 888-KMC-THE1

Taxes and Surcharges

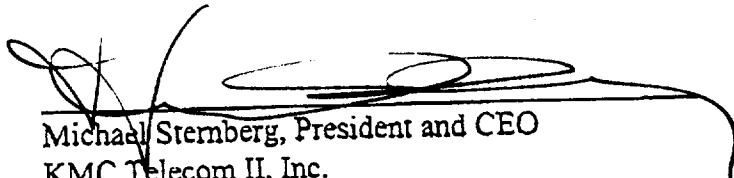
Dane Cnty Tax on Monthly Amts	0.91
Federal Tax on Monthly Amounts	5.71
WI State Tax on Monthly Amt	9.02

Taxes and Surcharges Total	\$15.64
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Miscellaneous Charges, Credits and Taxes Total	\$15.64
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VERIFICATION

I, Michael Sternberg, being first duly sworn, declare that I am the President and CEO of KMC Telecom II, Inc., the Applicant in this subject proceeding, and that I am authorized to make this Verification on behalf of Applicant; that I have read the foregoing Application and know the contents thereof; and that the same are true and correct to the best of my knowledge, information, and belief.


Michael Sternberg, President and CEO
KMC Telecom II, Inc.

Subscribed and sworn to me, this 9th day of December 1998.


Notary Public

My Commission expires: JEANNETTE BARRETTA
A Notary Public of New Jersey
My Commission Expires March 18, 2002